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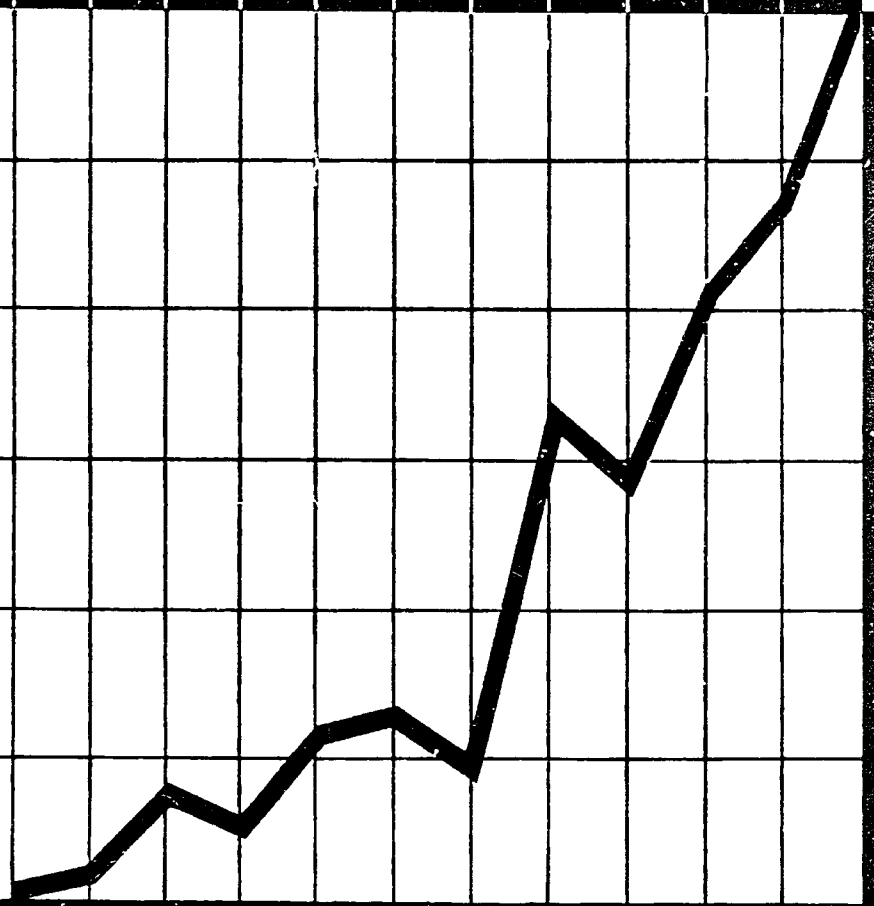

STUDIES IN VIETNAMESE ECONOMY

EDITED BY
ALEK A. ROZENTAL

VOL. 1 SAIGON - 1964

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ALEK A. ROZENTAL

ECONOMIC AND FINANCIAL PLANNING DIVISION

UNITED STATES OPERATIONS MISSION TO VIETNAM

SAIGON 1964

PREFACE

The collection of papers presented here has been developed as a by-product of the work of the Economic and Financial Division of the United States Operation Mission to Vietnam.

This Division, under the overall direction of Mr. Solomon Silver, Assistant Director for Program and Economic Planning, is concerned with the monitoring and analysis of the Vietnamese economy as a background for executive decisions regarding the scale and scope of U. S. assistance to that country.

The papers included in this collection have been prepared in response to requests for information and analysis emanating either from Washington or from the field. It is hoped that it would serve a useful purpose if those parts of the Division's work that do not directly deal with policy issues but contain information of general interest could be made available to a wider audience in an accessible form.

The studies included in this collection have been selected for two chief reasons. They contain information that is difficult to obtain elsewhere, and they present methods and techniques which may be of a more general applicability.

Much of the information provided here could not have been obtained were it not for the splendid cooperation of various officials of the Government of Vietnam whose names are too numerous to mention. Similarly, even though the studies bear the names of the persons primarily responsible for their implementation, they are essentially the result of a team effort on the part of the entire Division. In particular, these studies owe much to the skill and devotion of the Vietnamese staff of the Division whose names will be found at the end of this volume.

The present collection may be followed by others in the event its contents are found useful by research workers and others interested in Vietnam. Its readers are cordially invited to send their comments and suggestions to the undersigned.

Alek A. Rozental
Chief, Economic and Financial
Planning Division

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CENTRAL GOVERNMENT FINANCE, 1961 - 1963

(ERLAND HEGINBOTHAM)

This report consists of four sections. Section I summarizes revenue and expenditure estimates for 1961-1963. Section II describes and explains the conceptual and organizational procedures used in this attempt at partial consolidation of Government financial operation.

Section III cites a few of the most important known weaknesses in the data submitted, so that users will have a clearer idea of the degree of caution required in using the figures.

Section IV contains the statistical detail from which the estimates have been developed.

I. SUMMARY OF ESTIMATES.

The following are estimates of GVN revenues, expenditures and deficits for 1961-1963:

	1961	1962	1963
REVENUES	17.4	20.8	23.6
Domestic	12.6	11.5	12.5
Aid	4.8	9.8	11.1
EXPENDITURES	18.0	22.8	26.5
DEFICIT	0.6	2.0	2.9

II. A NEW APPROACH TO THE CONSOLIDATED STATEMENT

A. «Building Blocks».

This year's consolidated statement of GVN finances is new in several respects. Organizationally, it provides a more detailed and comprehensive «Building block» approach which makes explicit the composition and derivation of each figure. In Section IV, supplementary statistical tables show the data used in calculating trade - and aid - generated revenues, and various adjustment factors required to convert the GVN 17-month budget statements to a 12-month cash basis. It also includes a detailed calculation of military expenditures.

The present approach recognizes that certain concepts not directly obtainable from Government data may nonetheless be useful for analytical purposes. Thus, for example, such conceptual subdivisions of revenue as «internal» vs. «customs» and «foreign-trade related» taxes, and «direct» vs. «indirect» taxes may prove useful for a variety of purposes and enable the reader to glean a better understanding of the financial flows within the GVN.

B. Conceptual Changes.

1. Cash Budget Basis.

The basic conceptual change made in this presentation in the attempt to convert reporting from the Government's 17-month administrative budget basis to a 12-month cash budget basis. The GVN provides 12-month data only for certain major budget categories. Thus the adjustment to a 12-month basis has had to be made by means of a single overall revenue or expenditure adjustment factor, except for military expenditures and a few major revenue categories. The

derivation of these adjustment factors is spelled out in Parts W, X and Y of Section IV.

For overall revenues and for defense expenditures, the effect of this cash adjustment is very small — less than a 2% adjustment of the total for 1961 and 1962. This results from the fact that the 5-month supplementary accounting period accounts for a very small portion of total transactions for the budget year, and that these amounts do not vary greatly from one year to the next.

The cash adjustment does appear to be a major factor, however, in the matter of the civil budget. The exact nature of this cash advance system under the GVN Civil Budget is still not entirely clear. GVN data for this account are not kept on a basis consistent with needs for measurement of calendar year cash impact. An exact measure of the cash adjustment involves considerable and complex reworking of GVN data which are not readily available. The amount of this adjustment should be considered a highly tentative figure until there has been an opportunity to investigate this system more fully.

2. **Accounting for Aid-generated Revenues.**

Interest in converting reporting to a calendar year cash-budget basis lies in the need to estimate more accurately the net inflationary impact of GVN fiscal operations during any given calendar year On the revenue side, the gross deflationary impact of GVN revenue collections internally and from its own foreign exchange imports is correctly measured by actual receipts during that calendar year. Logically, foreign aid revenues (local currency generated by sale of aid import dollars) should also be measured at time of collection rather than at time of release for project uses. The release figure would understate the deflationary impact of aid revenue in years when reserves are being built up from an excess of collections over releases. (In effect this latter is the likely case in 1963-1964 when releases for current use may be less than collections to allow a balance from which to repay the National Bank advance to the counterpart account). The reverse is true when reserves fall.

As an example, in 1961, releases (counterpart plus U.S.-owned local currency) exceeded aid-generated local currency collections by more than VN$ 900 millions. Counting this VN$ 900 million of reserve drawdowns as current revenue in effect exaggerated the deflationary impact of aid revenues.

Since different persons may have different needs or prefer a different method of accounting for aid revenues, Section IV includes an accounting on both collections and release bases, along with the net changes in reserves.

3. **The 5/7ths Tax.**

The fiscal reform of 1962 involved numerous changes in the tax structure, not limited to the cancellation of the two old taxes (perequation and stabilization) and introduction of a new five-sevenths surtax. Included were extensive changes in customs duties, and a variety of other tax reclassifications. These included some taxes ostensibly in the «internal» tax category, but actually more closely akin to foreign trade taxes. In any event a comparison of 5/7ths tax revenues with those derived from the former perequation and stabilization taxes is not strictly justifiable, nor is a comparison between the combination of 5/7ths, customs and austerity taxes with the pre-1962 combination of customs, perequation and

stabilization taxes. Both such comparisons neglect related changes in the so-called «internal» taxes (portions of which even the GVN excludes from its accounts of internal tax collections). (a)

The new presentation includes two logically defensible methods of comparing tax revenues before and after the Monetary Reform; the reader may choose whichever suits his preference. The first approach is to consider the reform as mainly one of form and name, and to take the position that in both 1961 and 1962 the foreign exchange rate was effectively 60/1 or very close thereto. (This implies that the few items which came in at a lower effective rate in 1961 (machinery, fertilizer) were in effect subsidized, (as both continue to be now to a greater or lesser degree).

Methodologically, for 1962 and after, this approach involves considering the 5/7ths as an integral part of the foreign exchange cost of importation, rather than as a tax revenue. For 1961 and prior years, an amount of import-related taxes equal to 5/7ths of the piaster cost of imports would be deducted from total tax revenue and considered as part of the exchange cost. Readers opting for this approach may simply compare Section V Part A-1, items «bxa», where the 5/7ths (or imputed 5/7ths) tax is deducted from gross trade-related revenues, plus item c, customs duties, to give a net figure for foreign trade-related revenue.

The drawback of this approach is that it ignores the fiscal aspect of the 5/7ths tax — namely, that in years such as 1961 when GVN-financed imports considerably exceeded its foreign exchange earnings, this surtax was considered by the Government a supplementary source of revenue which could be used for purposes other than export subsidy Although non-availability of data obscures the exact extent or purposes of the use of this revenue for other than subsidies, we can estimate with fair accuracy how much of the tax is required for export subsidy and thereby the size of the available remainder.

Thus, the second approach to pre-and post-reform tax comparisons considers the 5/7ths surtax budgetary revenue. Under Part A-1-b, Internal Taxes, of Section IV, are grouped all of the major non-customs taxes based on imported commodities (of these all but the POL tax are similarly classified by the GVN as non-internal taxes.) Using this classification for comparison, the user can simply combine the subtotal «bx», Foreign-Trade-Related Taxes, and the subtotal for customs duties, to obtain a basis for comparing pre-and post-reform tax collection unbiased by change in tax classifications as between the internal and external tax categories.

The main disadvantage to this second means of comparison is that to include everything above 35/1 (piastres to the dollar) as revenue considerably amplifies fluctuations in the absolute value of tax collections which is due solely to changes in the import level. For example,

(a) For gasoline for example, by far the single most important tax-yielding product in the economy, the reform involved a complex reshuffling of taxes between the trade and «internal» tax categories, with the net result that there was no significant change in the overall gasoline tax burden. Yet a comparison of the pre-and post-reform internal tax on gasoline only, without considering customs and other trade taxes, would show a large increase in its yield. The actual increase in tax revenues came mainly from new levies applied to diesel and other quantitatively less important POL products.

from 1961 to 1962, GVN-financed imports fell from US$ 100 million to US$ 78.6 million; at the same time, the combination of customs and foreign trade-related taxes, net of the 5/7ths tax, fell by VN$ 1.2 billion (from VN$ 5.2 to VN$ 4.0 billions) When the 5/7ths tax is included, the decline is increased to VN$ 1.7 billion (from VN$ 7.7 to VN$ 6.0 billions). Since no one pretends that the de facto exchange rate immediately prior to 1962 was even remotely near the official rate of 35/1 (when the overall level of taxes on foreign trade is considered) the inclusion of the 5/7ths tax in revenues emphasizes the effect of foreign trade changes on tax revenues unduly.

III. EVALUATION OF THE NEW APPROACH — ADVANTAGES AND WEAKNESSES

The new approach embodied in this report provides a more complete measure of the fiscal impact of GVN operations in a given calendar year than available GVN administration budget data. However, the new conceptual framework is beset by problems of data limitations that have plagued all attempts to consolidate GVN financed operations. This section indicates and quantifies, wherever possible, the known weaknesses in this presentation.

A. WEAKNESSES OF KNOWN MAGNITUDE

1) Counterinsurgency

In mid-1963 the GVN assumed a commitment to disburse up to 1.4 billion piasters for counterinsurgency requirements from its own resources. This amount was not included in any revision of its civil budget. In 1963 GVN expenditures for counterinsurgency are likely to total 700 million piasters. This total could reach roughly 900 million piasters by the end of the calendar year In estimating GVN outlays for 1963 we have no way of knowing as yet to what extent this commitment is being met through reduction of other civil budget expenditures. In estimating total expenditures and, thereby, the deficit, one is faced with an arbitrary choice as to whether one considers estimated 900 million piasters as an addition to the projected civil budget expenditures or whether one charges some or all of this amount against civil budget funding, diverted from previously budgeted uses.

Our treatment has been as follows: Income from the national lottery (300 million piasters) formerly devoted to extra-budgetary investment projects is, as we gather from earlier discussions with the GVN being diverted to the counterinsurgency program. Thus, at most, the net additional increase in expenditures we estimate at 600 million piasters. In the absence of any indication as to whether all or only a portion of this amount will result in a net increase in expenditures beyond the projected civil budget total, we have chosen to indicate final expenditures within a range rather than as a specific figure. Thus our estimate for total GVN expenditures for 1965 lies within VN$ 26.2-26.8 billion, with a median figure of $26.5 billion of expenditures and a deficit figure of $ 2.9 billion.

For 1964 the problem assumes a much greater magnitude. USOM estimates the counterinsurgency requirement at 2.4 billion in addition to which it adds carryover obligation of 500 million piasters from 1963.

2) External Trade Subsidy Account

One is forced to make an arbitrary decision as to the disposition of export subsidy funds not currently

required for that purpose because the GVN releases no data on this fund. The arbitrary choice makes a major difference in the final estimate of total expenditures and deficit. The surplus of subsidy funds amounted to VN$ 670 million in 1961. In 1962 we have evidence regarding the uses of this surplus. For 1963, the problem is of minor proportions since the surplus amounts to only about VN$ 100 million. For 1964 we estimate, however, that the issue will loom larger with a possible surplus of up to VN$ 760 million piasters in prospect, inasmuch as GVN-financed imports are estimated at US$ 90 million and exports estimated at US$ 64 million.

3) **PL-480 Revenues**

It has, as yet, been impossible to draw up an accurate balance sheet for PL-480 transactions since there are a number of obscurities involved in the treatment of this account. On the receipt side the GVN collects 60 piasters per dollar from all PL-480 importers. From importers of tobacco and wheat flour the GVN collects additional amounts of VN$ 30 and VN$ 14 per dollar in customs duties. These amounts, however, do not cover the full deposit requirement of 73.5 piasters per dollar on other commodities or on the total of all PL-480 imports. In 1962, for example, customs duties accounted for only about half of the difference between 60 and 73.5 on total PL-480 imports, leaving a balance of roughly 143 million piasters to be made up by the GVN from other resources. In 1962-1963 there is some evidence that the GVN has been including as an expenditure, some 200 million piasters which may, in fact, be a transfer of civil budget funds to the U.S.-owned PL-480 account. Without going further into the complexities of this problem, it can be said that a proper account of PL-480 funds, eliminating double-counting could make a difference of up to VN$ 300 million in the size of the estimated total GVN cash deficit.

B. WEAKNESSES OF UNKNOWN MAGNITUDES

1) **Extra-Budgetary Accounts.**

The GVN maintains some thirty-odd extra-budgetary accounts at the National Bank. In addition there are a number of extra-budgetary accounts held at the Treasury. We have as yet been able to obtain data on only a few of these accounts. Some involve extra-budgetary revenue sources exceeding VN$ 1 billion annually. Two of the largest of these accounts, the five-sevenths tax account for external trade subsidies and the National Lottery account, we have consolidated here on the basis of our own estimates of receipts and expenditures. One of these we know has on at least one occasion provided major surpluses which the GVN has drawn upon in the current year to meet civil and military budget requirements. Some of these accounts are known to have extra-budgetary sources of revenue: the Housing Construction Account, from National Lottery Revenues; the External Trade Subsidy Account, from the five-sevenths tax; the land reform account from land purchase payments; and various local government accounts from local taxes and service receipts. To the extent that these GVN drawings represent the use of funds accumulated in previous years, they are no less inflationary, in any given year than National Bank advances. However, to the extent that they represent a surplus of revenue over expxenditures generated during that year, these drawings are in effect current withdrawals from purchasing power, and have a fiscal

impact identical with that of tax collections. Inasmuch as these surpluses do not enter our budgetary estimates, the deficit tends to be overstated.

In the absence of specific information on the transactions of these accounts an alternative method of estimating the overall deficit of GVN operations could be devised if one had access to statements of year-end balances of these accounts on a regular basis. Unfortunately even this has been unobtainable so far. We have been forced to resort to the cruder and less accurate alternative of measuring means of financing the deficit by reference to the net change in the sum of:

1) NBVN advance to the Government
2) Treasury deposits
3) Treasury cash

We hope to obtain more information on some of these extra-budgetary accounts to permit further refinement of this means of cross-checking the magnitude of the budget cash deficit.

2) National Lottery.

National Lottery ticket sales are said to be running now at the rate of 3 million tickets per week, implying annual gross receipts from this source of roughly 1.5 billion piasters by 1964. In the past the GVN has not published a statement of National Lottery costs and net revenues. The estimate of net receipts contained in this report is believed to be conservative, and may understate revenue from this source by a significant amount.

3) Capital Expenditures.

A number of extra-budgetary accounts have, in the past, been sources of extra-budgetary capital expenditures. The Special Budget for Economic Development has drawn upon certain of these accounts for funds to meet its projected outlays. For example, in 1962, 150 million piasters were to have been provided from the account for the «support and subsidy to external commerce». However, the GVN has not provided actual data on either receipts or expenditures under the Special Economic Development Budget. The only other account for which we have evidence of capital expenditures is the National Lottery account. Prior to 1963 the funds theoretically were for low-cost housing projects. (By 1963, however, these funds were being diverted to the Counterinsurgency program.)

Thus the total amount of extra-budgetary capital expenditures has been subject to educated guess-work. Errors in estimating actual capital outlays under extra-budgetary accounts impinge directly upon the size of the deficit.

IV. STATISTICAL TABLES

A. NOTES ON TABLES:

1. In a few cases, special subtotals have been established to provide special information. Thus Items A-1-bx and A-1-bx[4] are special subtotals relating to two different conceptions of foreign trade-related excise and sales taxes. Similarly, subtotals under A-1-h are designed to provide a consistent derivation of concepts such as «internal taxes», «foreign-trade related taxes», «direct taxes» and «indirect taxes».

2. Special designations in Parentheses and Brackets:

To the right of certain line item designations there may be found references in parentheses and brackets.

G V N BUDGET 1961 – 1963

	1961	1962	1963
A. TOTAL REVENUE	17.390	20.735	23.610
1. DOMESTIC REVENUE	12.635	11.496	12.510
a Income & Profits Taxes (1)	668	663	670
b. Sales & Excise Taxes	7.922	5.474	5.930
1) Luxury taxes (7)	× 105	120	110
2) Misc Indirect (8)	× (203	(217	(230
3) Consumption (Excl POL) (6)	(	(	(
a) Petroleum Consumption Tax	× 449	1.051	1.200
4) Production Tax (5)	× 2.914	672	760
a) Local Products	(439)	(672)	(760)
b) Imports	(2.484)	—	—
5) Excise Taxes (IV)	× 1.760	1.449	1.510
a) Local Products	(1.309)	(1.422)	(1.510)
b) Imports	(391)	(27)	--
bx F Trade Related Taxes GROSS	(5.875)	(3.403)	(3.320)
6) 5 7ths Tax Actual TGVN/FX)g/	--	-1.965	-2.120
7) Perequation Tax (XB)a/	× - 800	--	-
8) Stabilization Tax (XB)b/	× - 1.755	--	—
4b Prod Tax Imports (NON-ADD)	(2.484)	-	-
5b Excise Taxes Imp (NON-ADD)	(391)	(27)	--
3a Petrol Tax (NON-ADD)	(449)	(1.051)	(1.200)
bx F Trade Related Taxes GROSS	5.875	3.403	3.320
Less b6 Actual Imputed 5 7ths Tax	Less 2.500/	L. 1.965/	L. 2.120
bxa F Trade Related Taxes NET	3.375	1.078	1.200
c Customs Duties a f/	1.616	2.969	3.200
1) Export Duties d/	270	540	510
2) GVN-FX Import Duties	1.480	1.921	2.130
a) Total Duties	(2.512)	(3.791)	(3.940)
b) US-FX Duties	– (1.032)	(1.870)	– (1.810)
3) GVN-FX Austerity Tax	--	434	490
a) Total Aust Taxes	--	(554)	(630)
b) US-FX	--	(120)	(140)
4) Misc Duties	66	74	70
d. Monopoly Profits	0	0	0
e. Other Taxes	1.346	1.504	1.570
1) Property taxes (2)	104	107	110
2) Patente (3)	122	178	(200
3) Patente surtax (4)	4	5	(
4) Regist. Stamp (16)	609	685	760
5) Prior year taxes (39)	+ 202	+ 219	+ 200
6) Shared taxes (XB) (est)	+ 305	+ (310)	+ 300

	1961	1962	1963
f Govt. Enterprises	355	393	420
1) Enterprise & Bids (VIII)	51	53	50
2) Public Works (VI)	304	340	370
g Other Revenue	623	722	720
1) Misc (Chpts 25-31)	181	138	150
2) Reimbursements, NET	71	× - 74	0
(a) GROSS Reported (32)	- 641	411	- 110
(b) XB Receipt Listed Elsewhere	— 650	— 387	— 110
(c) Drawings on Reserves	— 120		
(d) Other	—		
3) Special Receipts, NET	× - 11	× 21	- 0
(a) Gross Reported (XI)	213	650	200
(b) Prior Year Taxes /A1e (5)/(29)	— 202	— 219	— 200
(c) Repayments (43)		— 410	0
(d) NBVN Advances (41)	—	—	—
(e) Drawings on Reserves (40)	—	—	—
4) Other Admin Agency (VII) g/	× 220	× 298	270
5) National Lottery (XB)	× + 160	× + 210	+ 300
h Subtotals Unadjusted	—	—	—
1) Total Revenue /1a to g/	12.752	11.732	12.510
(a) NON-TAX /f + g/	970	1.122	1.140
(b) TAX, GROSS /a to e/	11.774	10.610	11.370
(c) 5.7ths Equiv /b6/	Less 2.500	L. 1.965	L. 2.120
2) Net Tax Revenue	9.274	8.645	9.250
(a) Direct Taxes /a + e/	2.034	2.167	2.240
(b) Indirect /b + c + d + bx/	7.240	6.478	7.010
3) Net Tax Revenue	9.274	8.645	9.250
(a) INTERNAL /a + b + c + bx/	4.031	4.598	4.850
(b) F Trade Related /bxa/	3.375	1.078	1.200
(c) Customs Duties g/	1.819	2.969	3.200
(d) Subtotal, Trade Taxes (b) + (c)	5.193	4.047	4.400
i Net Cash Adjustment (See Y-3)	— 117	— 246	Not Available
1) Direct Taxes	— 31	— 89	
2) Indirect Taxes	+ 27	— 2	
3) Indirect, Other	— 201	— 254	
4) Customs	— 180	— 463	
5) NON-TAX Revenue	— 72	— 54	

	1961	1962	1963
A TOTAL REVENUE (Cont'd)			
1 Subtotals Adjusted			
1 Total Revenue	12,635	11,486	Not Available
(a) Non-Tax Revenue	906	1,176	
(b) Tax Revenues, Gross	11,729	10,310	
(c) 5/7ths or equiv.	— 2,500	— 1,965	
2) Net Tax Revenue	9,229	8,345	
(a) Direct Taxes	2,001	2,078	
(b) Indirect Taxes	7,228	6,267	
2) Net Tax Revenue	9,188	8,345	
(a) Internal Taxes	na	na	
(b) F. Trade Related	na	na	
(c) Customs	1,978	2,806	
(d) Subtotal: Trade Taxes	na		

a/ Perequation tax was formerly listed under «Customs Duties».
b/ Stabilization tax was formerly listed under «Monopoly Profits».
c/ 5/7ths tax was formerly listed under «Monopoly Profits».
d/ Special tax of $VN 184 millions on rubber export was formerly listed under «Monopoly Profits».
e/ See Section Z-3 for basis of 5/7ths tax estimation.
f/ See Sections Z-4 and Z-6 for explicit calculation of customs duties.
g/ Estimates include $VN 730 million of administrative agency revenue now included under «Other Revenue».

	1961	1962	1963
2 REVENUE: FOREIGN GRANTS	4,745	9,289	11,100
a Counterpart, US-Owned $VN	4,858	2,282	11,040
1) US-Owned DEPOSITS OF (ADD)	× 467	× 1,670	× 1,890
(a) Section 402	399	68	0
(b) Section 505	—	—	—
(c) Piaster Purchase	0	294	370
(d) PL 480 (See Z-8)	68	1,308	1,520
1z) US-Owned Withdrawals (Non-Add)	849	1,442	2,000
(a) Section 402	773	125	0
(b) Section 505	—	—	—
(c) Piaster Purchase	0	126	480

	1961	1962	1963
(d) PL 480	— DK	— DK	— DK
(1) Section 104e	73	1,199	1,520
(2) US Uses	na	na	na
1y) Net Changes, Reserves	— 379	— 222	— 110
1) Deposits	467	1,670	1,890
1z) Withdrawals	846	1,446	2,000
2) Counterpart DEPOSITS (Add)	× 4,188	× 3,278	× 3,200
(a) Actual Reg Counterpart	3,513	3,313	4,100
(b) Act/Est 5/7ths Tax		1,300	3,100
(c) Customs Duties	675	NC	0
2z) Counterpart WITHDRAWALS (Non-Add)	4,727	6,702	6,420
(a) Reg to Military	2,791	4,069	
(b) 5/7ths to Military		1,765	5,720
(c) Customs to Military	1,324	133	
Subtotal to Military	4,115	5,967	5,720
Section 104e - See 402 to Mil	1,846	(1,303)	1,570
(GRAND) TOTAL TO MILITARY	(4,961)	(7,270)	(7,290)
(d) Reg to Projects	611	646	550
(e) Reg to Trust Fund	0	119	150
(f) Repayment, NBVN (Non-Add)	0	(464)	(300)
(g) Reserve Build-up (Non-Add)	0	0	(450)
2y) NET Changes, Reserves	— 550	— 1,590	— 780
2) Deposits	4,188	5,202	7,200
2z) Withdrawals	4,727	6,702	6,420
3) Indirect US Grants	0	× 1,990	× 1,950
(a) Customs Duties (See Z-4)		1,870	1,810
(b) Austerity Taxes (See Z-6)		120	140
b. NON-US Foreign Grants Frech Loans (See Capl Outlays & Fin. Deficit)			
c. Reparations	50	× 407	× 90
x. Volume ($US Millions)	1.2	5.5	0.8
y. Rate	74.1	74.1	74.1

	1961	1962	1963
B. EXPENDITURES, TOTAL	18,014	22,733	26,500
1. NATL DEFENSE SOURCES (See Sec. W.)	8,198	11,496	13,860
x. GVN 17-month report	8,303	12,006	13,860
y. Cash Adjustment	- 107	- 510	- - 0
b. US Aid Release (a-10 e & f)	4,961	7,270	7,240
c. Other Foreign Aid	0	0	0
a. Domest. Sources (residual)	3,344	4,740	6,620
2. GRANTS, SHARED TAXES	1,928	1,412	1,100
a. Shared Taxes /A-1-e-(6)/	• 305		
b. Grants Local Govt	1,623	1,412	1,100
z. Gross Grants (XX-02) (Act/Est)	2,137	2,182	1,260
y. Action Agcys (XX-02-2) (Act/Est)	43	140	120
x. Pub Util	...	-	-
w. Pensions (XXOA-4) (Budgeted)	(	20	20
v. Intl Org (XX-02-3) (Budgeted)	(67	10	20
u. Grants for Capital Expend (Budg)	400	600	0
3. SUBSIDIES, PRICE, INCOME	1,252	1,440	2,010
z. Exports, ($US Millions)	69.8	55.5	78.4
y. Base Subsidy/US$	13.8	25.0	25.0
x. Base Subsidy (z • y)	940	1,387	1,960
w. Special Subsidy/US$ (ave.)	14.2	6.0	6.0
v. Special Subsidy Vol (US$ Mill.)	20.6	8.8	7.5
u. Special Subsidy (w • v)	291	53	50
t. Subsidy Fund /A1b6,7,8/	2,555	1,695	2,120
a. Export Subsidy (x + u) (See Z-6)	• 1,232	• 1,440	• 2,010
s. Ec Dvlpmt Bud Contrib.			
r. Other Cap Uses /B7b1c/		(150)	(0)
p. Current Budget Uses /B6a/	(650)	(337)	(110)
q. Change in Reserves	673	38	0
4. INTEREST PAYMENTS	37	38	40
a. Domestic Debt	37	38	—
b. MSP Loans	—	—	—
c. US Project Loans	—	—	—
d. Other Foreign	—	—	—
5. CONTRIBUTION TO GVT ENTERPRISE	114	170	160
a. Public Works, etc/c. f also B-6	114	170	160

		1961	1962	1963
6	OTHER CURRENT EXPENDITURES	4,108	4,377	7,000
	z Total GVN Civ Bud Expendit (17 mo)	16,274	21,229	23,560a/
LESS	y Mil Expenditures /B-1-g/ (17 mo)	8,305	12,006	13,860
LESS	x Grants to Local Govt /B-2-b/	1,623	1,412	1,100
LESS	w Interest Pymts, Civ Bud /B-4-g/	37	38	40
LESS	v Contrib to Govt Enterprise /B-5/	114	170	160
LESS	u Civ Bud Investmt /B-7-b-1 a, b & c/	1,848	2,070	700
LESS	t Loan Repayment	67	70	70
	s Discrepancies, Other	-	—	—
	q Total (y to s)	11,994	15,766	15,930
	a Other Civ Budget Expenditures (z-q)	4,280	5,463	7,430
	b Other Extra-Budget Expenditures	• 305	• 385	+ 770
	(1) US Counterpart Projs /1/2 A2a2s(d)/	(305)	323	220
	(2) Piaster Purchase /1/2 of A2a1(c)/	0	62	240
	(3) Counterinsurgency/	—	—	300
	c Cash Adjustment (See X-5)	- 477	- 1,681	- 1,200
7	CAPITAL OUTLAYS	2,397	3,850	2,330
	b Sources of Financing			
	(1) Domestic Sources	1,997	2,830	1,500
	(a) Civil Budget Investment	1,103	1,300	500
	(b) Civ. Budget, Unclassified, Net	544	470	200
	Civ Budget, Unclassified, Gross	(825)	(932)	(468)
LESS Adjustment		(281)	—	—
LESS Non-Capital (Estimated)		—	(462)	(268)
	(c) Civ Bud Subsidy to Land & Econ Dvlpmt Projs /1/2 of D-2-a/	(200)	(300)	(0)
	(d) Subtotal, Civ Budget Investmt	2,070	2,070	700
	(e) Ex Trade Subsidy Fund (XB)	—	+ 150	0
	(f) National Lottery (XD)	+ 150	+ 210	+ 300b/
	(g) Econ Dvlpmt Budget, Oth (XB)	—	+ 400	+ 500
	(h) Subtotal, Ec Dv Budgt (e + f + g)	—	760	800
	(2) US Grants & Loans	• 310	+ 385	+ 440
	(a) Cntrpt Projects /1/2 of A2a2s(d)/	305	323	220
	(b) Piaster Purch /1/2 of A2a1(c)/	5	62	240
	(c) Other	—	—	—
	(3) Non-US Loans, Grants (See Z-2)	90	+ 815	+ 370
	(a) Japan Reparations, Piaster Use	90	407	60
	(b) French Commercial Import Credit	—	210	312

a/ Based on an estimated military budget expenditure of VN$ 13,860 million, plus a Civil Budget of VN$ 15,500 million, less the provision of VN$ 5,500 million to be transferred from the Civil to the Military Budget.

b/ Diverted to the Counterinsurgency Program from its usual use in low-cost housing.

	1961	1962	1963
B. EXPENDITURES (Cont'd)			
a. FORM OF INVESTMENT (Non-Add)	2,397	3,432	2,330
(1) Direct Invst GVN Agency	2,397	3,432	2,330
(2) Earmarked Grants, Shared Taxes	na.	na.	na.
(3) Loans for Investment	na.	na.	na.
(4) Direct Investment Govt Enterprise	na.	na.	na.

	1961	1962	1963
C. FINANCING THE DEFICIT	634	2,002	2,890
x. Receipts	17,380	20,755	23,610
y. Expenditures	18,014	22,357	26,500
1. Domestic borrowing	400	1,420	2,600
a. Long Term	0	0	0
b Central Bank (incr. = +)	+ 400	+ 1,420	+ 2,600
(1) Advances, NBVN, End Year	600	2,020	4,620
(2) Beginning of year	200	600	2,020
c Other Short-Term (Incr. = +)	na	na	na.
2 Foreign Borrowing (Incr. = +)	0	+ 150	+ 220
a US Loans	0	0	0
b IMF	0	0	0
c Non-US Loans	0	+ 150	+ 220
(1) French Commercial Loan		+ 150	+ 220
3. Reserves (Drawings = +)	+ 234	+ 432	+ 70

	1981	1982	1983
D GROSS DEBT OUTSTANDING	15,682	18,313	21,737
1 Domestic Debt	12,443	13,862	16,539
a Net Bank Advances	800	2,977	4,977
(1) CY Changes	+ 600	+ 1,420	+ 2,000
b Rediscountable Acct	10,080	10,080	10,080
c Last Reform Bonds	1,183	1,182	1,279
(1) CY Changes	+ 617	+ 18	+ 60
(2) Ave % Interest			
(3) Repayments of Principal			
2 Net US Foreign Debt, Net CY Drawings Repayment	0	1,202	1,282
a Jpn Ex Im Loan 7.5 millions	—	432	430
(1) CY Drawings	—	432	430
(2) Ave Interest	8%		
(3) Repayment of Principal			
b Fr Ha Thee Loan $12 million	—	720	870
(1) CY Drawings		720	0
(3) Repayments of Principal		0	144
c Fr Comm Impt Cr $10 million		150	288
(1) CY Drawings		150	288
(2) Ave % Interest	8.7%	210	312
(3) Repayments of Principal		60	96
d Cr Navig Sys Loan $12.5 mill	—	—	—
(1) CY Drawings			
(2) Ave % Interest (17 yr w/3 yr Grace)	—	—	—
(3) Repayments of Principal			
e Cr Comm Impts $3.8 mill	—	—	—
(1) CY Drawings			
(2) Ave % Interest			
(3) Repayments of Principal			

	1981	1982	1983
3 US Loans Outstanding, Net	2,039	2,139	2,455
CY Drawings	100	100	100
Repayments	0	18	23
a 1956-57 MS. Loans ($730 mill.)	2,007	2,073	1,957
(1) CY Drawings	0	0	0
(2) Ave % Interest	6.0%		
(3) Interest Payments (est.)	(60)	(60)	(60)
(4) Repayments of Principal	0	18	18
b 1958 Telecom Loan ($3.3 mill at 60/1)	55	55	37
(1) CY Drawings			
(2) Ave % Interest	3½%		
(3) Interest Payments (est.)		(0.6)	(0.8)
(4) Repayments of Principal	—	0	0
c Rail Loan ($8.1 mill at 72.77/1)	8	8	410
(1) CY Drawings			401
(2) Ave % Interest	3½%		
(3) Interest Payments (est.)	—	(0.2)	—
(4) Repayments of Principal	—	—	0
d Water Supply Ln ($117.5 mill at 72.77/1)	100	200	300
(1) CY Drawings	100	100	100
(2) Ave % Interest	3½%		
(3) Interest Payments (est.)	—	(1.6)	—
(4) Repayments of Principal	—	2	Est. 8
e Power Plant Loan ($12.7 mill at 72.77/1)	0	10	10
(1) CY Drawings	0	10	10
(2) Ave % Interest	3½%		
(3) Interest Payments	—	(0.3)	—
(4) Repayments of Principal	—	—	—

NOTE Interest and Repayments for Water Supply, Power and Railroad Loans are estimates based on estimated Loan drawdowns. Interest and Repayments for MSP and Telecommunication loans are based on information from the USOM Controller

	1961	1962	1963
1. DOMESTIC BORROWING			
a Total, End CY /D-1/	12,443	13,882	16,520
b Tl. End Prev CY /D-1/	11,627	12,443	13,882
c CY Changes (a-b)	816	1,439	2,638
(1) LT Capital	+ 416	+ 19	+ 58
(2) Deficit Finance	+ 400	+ 1,420	+ 2,600
(4) z Repayments	0	0	0
2 NON-US FOREIGN DEBT			
a Total, End CY /D-2/		1,302	1,392
b Total, End Prev CY /D-2/		0	1,302
c CY Changes (a-b), net		1,302	+ 90
(1) FX Used /B7b (3) (b)/		1,152	18
(2) Repayments		0	144
(3) $VN Used /B7b3(3)(a)/		210	312
(4) z Repayments		— 60	— 96
3. US Loans			
a. Total, End CY /D-3/	3,039	3,129	3,845
b Total, End Prev CY /D-3/	2,991	3,039	3,129
c. CY Changes (a-b) net	39	90	716
(1) $US Used /B7b3 (b)/	48	108	741
(2) Repayments	9	18	25
(3) $VN Used /B7b3 (a)/	0	0	0
(4) z Repayments	0	0	0
4 Cash Balance (X-1)	400	330	— 520
5. Reconciliation			
a. CY Change in Gross Debt (sum Items c)	855	2,831	7,444
b CY Drawings LT Cap (Net)	455	1,261	628
(1) Gross (sum Items (1)	464	1,279	797
LESS (2) Repayments (Items (2)	9	18	169
c. CY Deficit Finance (Net)	400	1,570	2,816
(1) Gross /sum Items (3)/	400	1,630	2,912
LESS (2) Repayments (Items (4)/	0	60	96

	1961	1962	1963
Z. TRADE & RELATED REVENUE			
1. Total Imports Yielding $VN Revenues	233.1	230.9	233.5
a GVN FX Imports ($US millions)	100.0	78.6	85.0
b. US-FX Imports ($US millions)	131.9	143.5	143.0
(1) PL 480/Section 402	14.0	28.5	23.0
(2) CIP	117.9	115.0	120.0
c 3rd Country Imports	1.2	8.8	5.5
(1) Japan Reparations Grants	1.2	5.5	0.8
(2) French Coml Loans	0	3.3	4.7
2 Third Country Aid ($VN millions)	90	605	342
a Jpn Reparations ($VN 74/1)	90	407	60
b Fr Comml Ln ($VN 60/1)		198	282
3 5/7ths Taxes z	2,500	1,965	2,120
z Imports ($US Millions)	100.0	78.6	85.0
4 Import Duties (excl Austerity Tax)			
a Gross Duties Reported	2,512	3,791	3,940
b US-FX Imports Duties	1,032	1,870	1,810
(1) POL Duties		910	640
z Act Paid Imports ($US millions)		13.0	12.0
y Rate (VN/US)		$VN 70/1	70/1
(2) Other CIP Duties		960	790
z Act Paid Imports ($US millions)		130.5	108.0
y Paid Rate ($VN/$US)		7.35/1	7.35/1
(3) PL 480 Duties (See Z-8)		0	180
c 3rd Country FX Imports		190	120
z Act Paid Imports		8.8	5.5
y Paid Rate ($VN/$US)		22/1	22/1
d GVN FX Import Duties	1,480	1,731	2,010
(1) POL Duties		0	210
z Act/Paid Imports		0	3.0
y Rate		—	70/1
(2) Other Imports		1,731	1,800
z Act/Paid Imports		78.6	82.0
y Paid Rate ($VN/$US)		22/1	22/1

	1961	1962	1963
Z. TRADE AND RELATED REVENUE (Cont'd)			
5 Austerity Tax			
a Gross Duties Reported		554	630
b US-FX Import Taxes		120	140
(1) Sugar		90	120
z Act/Estd Imports		2.2	3.0
y Rate		40/1	40/1
(2) Other		30	20
z Act/Estd Imports		141.3	117.0
y Estd Rate		0.2	0.2
c 3rd Country Imports		(44)	(30)
z Act/Estd Imports		(8.8)	(5.3)
y Rate		(5.0)	(5.0)
d GVN-FX Import Taxes		(390)	(460)
(1) Sugar		0	40
z Act/Estd Imports		0	1.0
y Rate			40/1
(2) Other		390	420
z Act/Estd Imports		78.6	84.0
y Estd Rate		5.0	5.0
6 Export Subsidies	1,329	1,232	2,010
z Act/Estd Exports ($US)	99.3	35.5	18.1
(1) Rubber	43.8	37.9	35.7
(2) Rice	14.6	8.8	35.2
(3) Other	11.3	8.8	7.5
a Basic Subsidy/$US	13.48	25.0	25.0
Subsidy Amount	x 940	x 1,387	x 1,960
b Premium	x .291	x .53	x .50
(1) Act Estd Rate ($VN/$US 1)	14.2	60	60
(2) Act/Estd Exports	20.9	8.8	7.5
c Total Subsidies (a + b)	1,232	1,440	2,010
7. Export Duties	270	540	504
a Rubber (Duty rate — 40%)		531	892
(1) Exports (in $US)		37.9	35.7
(2) Exports (in $VN at 35/1)		1,327	1,250
b Duck Feathers (Duty rate — 30%)		9	6
(1) Exports (in $US)		.9	.6
(2) Exports (in $VN at 35/1)		32	21
8 PL 480 Proceeds on Payments Basis a/	68	1,308	1,820
a Carryin, Prior CY ($US)			5.4
b Current CY Program			25.8

	1961	1962	1963
c Prior Drawings, of b.			—
d CY Drawings, Next CY Prog.			1.0
e Total Avail (a + b — c + d)			32.2
f Carry out to Next CY			9.2
h NET CY Payments (e-f)			US$ 23.0
i Piaster Equivalent		1,484	1,660
(1) Mil Budget Uses (90%)	68	1,308	1,520
(2) US Uses (10%)		145	170
8z PL 480 Collections (Estd)			
a CY Payments $US (5-i)	na.		1,556
b Basic Collection ($VN 60/1)	na.		1,350
c Customs Collections	43		176
8y NET GVN Deficit (—) on PL 480	na.		— 134
5 Proceeds to U.S.	»		— 1,690
5z Actual Collections	»		+ 1,556
9 CIP Proceeds, Arrivals Basis	4,188	5,202	7,200
a Carryin, Prior CY ($US)			47.0
b Current CY Program			96.0
c Prior CY Drawings on 9b/			—
d CY Drawings, Next CY Prog.			8.0
e Total Avail (a + b — c + d)			143.0
f Carryout to Next CY			23.0
h NET CY Arrivals (e-f)			120.0
i Piaster Equivalent at 60/1			7,200
10 Funds for Current Military Use	4,981	7,270	7,240
z Gross Counterpart (Z9)	4,188	5,202	7,200
y Non-Military claims	812	768	1,000
(1) Repayment, NBVN Advance	0	0	500
(2) Project Releases	812	646	350
(3) Trust Fund	0	110	150
(4) Other	0		
a Maximum Counterpart Avail (z-y)	3,376	4,434	6,200
b Other Non-Current Uses	0	122	480
(1) Repayment NBVN Advance	0	0	0
(2) Reserve Fund Build-up, net	0	122	480b/
c PL 480 (Sect 104(f) + Sec 402(a))	467	68	1,320
e $VN Available to Military (a + b + c)	4,043	5,710	7,240
f Mil Budget Support Commitment (a)	4,981	7,270	7,560
g Current Deficit( ), Surplus(+) (e-f)	-938	1,440	— 320

a/ Excludes US uses portion. b/ FY 1964 funds.

	1961	1962	1963
V. REVENUE ADJUSTMENTS			
1) Prior Yr Pd Complem. Rcpts, Net	1,169	1,286	
a) Direct Taxes	148	179	
b) Excise Taxes	260	233	
c) Indirect, Other	240	441	
d) Customs	370	210	
e) Non-Tax, Net	— 151	— 223	
(1) Gross	501	223	
(2) Non-Revenue Receipts	350	0	
2) CY Pd Complementaire Receipts, Net	1,286	1,532	
a) Direct	179	268	
b) Excise	233	235	
c) Indirect, Other	441	187	
d) Customs	210	673	
e) Non-Tax, Net	223	169	
(1) Gross	223	916	
(2) Non-Revenue Receipts	0	— 747	
3) Net Cash Adjustment (1) — 2)/	-- 117	— 246	
a) Direct	— 31	— 89	
b) Excise	+ 27	— 2	
c) Indirect, Other	— 201	+ 254	
d) Customs	— 160	— 463	
e) Non-Tax, Net	— 72	+ 54	
X. NON-DEFENSE OUTLAY ADJUSTMENT	— 477	— 1,481	— 1,200
1) 17-month, Net	7,079	8,134	
a) 17-month, Gross	7,968	9,223	
b) Unpaid Advances from Prior Yrs	-- 889	— 1,089	— 1,200
-- 2) Budget Yr Periods Complementaire	492	884	
(a) Gross	830	926	
(b) — BY Advances	-- 338	— 42	
- 3) Prior Yr Periods Complementaire	904	492	
(a) Gross	1,290	830	
(b) -- Budget Year Advances	386	— 338	
— 4) Adj Cash Basis, 12-month	7,491	7,742	
(a) 17-months, net	7,079	8,134	
(b) BY Periods Complementaire	-- 492	— 884	
(c) FY Periods Complementaire	+ 904	+ 492	
5 CASH Adjustment	— 477	— 1,481	
(a) Gross 17-month	7,968	9,223	
(b) 12-months, cash	— 7,491	7,742	

	1961	1962	1963
W. EXPENDITURES			
1 DEFENSE EXPENDITURES	8,198	11,496	13,860
a. Regular Military	6,605	8,979	10,750
(1) MAAG Report, 17-mo.	6,712	9,103	na
(a) US Support	5,628	6,970	
(b) VN Support	725	1,903	
(c) Subtotal (a) + (b)	× 6,353	+ 8,873	
(d) Prior Year Closing Chapter	× 213	131	
/1/ 1st Prior Year	(99)	(99)	
/2/ 2nd Prior Year	(74)	(22)	
/3/ 3rd Prior Year	(42)	(10)	
(e) MAAG Excluded Items	× 146	99	
(f) Grand Total	6,712	9,103	
(g) GVN Grand Total	8,648	9,217	
(h) Discrepancy	+ 24	114	
(2) Conversion to Cash			
(a) Budget Yr, 12-month	× 5,869	× 8,273	
/1/ US Support	(5,276)	(6,533)	
/2/ VN Support	(593)	(1,740)	
(b) 1st Prior Year Pd Complementaire	× 507	+ 643	
/1/ 17-month	(5,792)	(6,351)	
/2/ 12-month	(5,283)	(5,869)	
(c) 1st Prior Year Closing Chapter	× 114	99	
(d) 2nd Prior Year	× 74	22	
(e) 3rd Prior Year	× 42	10	
(f) Subtotal	6,606	8,866	
(g) MAAG Excluded Items	— 146	— 78	
/1/ 17-month	na	(99)	
/2/ 12-month	na	(78)	
(h) MAAG Excl Pd Complementaire	× (15) a/	na	
(i) Subtotal (f + g + h)	6,752	8,964	
(j) Cash Advance Adjustment	-- 147	+ 15	
/1/ Advance in Bgt Year	(+ 291)	(+ 336)	
/2/ Adv made in Prior Yr but Incl in (2) (b)	(— 438)	(— 291)	
(k) SUMMARY, REGULAR MILITARY, CASH BASIS (i + j)	6,605	8,979	10,750
b. Civil Guard	1,331	1,488	1,800
c. Self Defense Corps	262	1,029	1,215
d. Junk Force	—	.	93
e. Other	—	...	
GRAND TOTAL, MILITARY, CASH BASIS, Est	8,198	11,496	13,860

a/ Included in W.1a. (2) (c)

	1961	1962	1963	
			Budget	USOM Est.
V. BUDGET RECEIPTS				
1 DIRECT TAXES	917 6	953 0	1,187	980 0
a Income Tax	687 7	663 0	620	670 0
b Land Tax	104 2	107 0	393	110 0
c Patente	121 5	178 0	171	200 0
d. Patente surtax	4 2	5 0	4	
2. INDIRECT TAXES	3,670 9	2,060 0	1,814	2,300 0
a Production Tax	2,914 1	672 0	560	750 0
1) Import	(2,484 0)	0	0	0
2) Domestic	(430 0)	(672 0)	(560)	(760 0)
b Other Indirect	756 8	1,388 0	1,254	1,540 0
3. CUSTOMS DUTIES	2,850 0	4,939 0	4,396	5,150 0
a Export	270 0	466 0		510 0
b Import	2,512 0	3,791 0	3,857	3,940 0
1) US FX	(1,032 0)	(1,870 0)		(1,810 0)
2) GVN FX	(1,480 0)	(1,921 0)		(2,130 0)
c Austerity		554 0	460	630 0
1) US		(120 0)		(140 0)
2) GVN		(434 0)		(490 0)
d Misc.	68 0	74 0	79	70 0
4. EXCISE TAXES	1,699 7	1,449 0	1,345	1,510 0
a US FY	(390 7	(27 0		
b GVN FX	(	(	(1,345	(1,510 0
Local Commo	(1,309 0)	(1,422 0)		
5 REGISTRATION FEES	609 4	685 0	635	760 0
6 RCPTS FROM PUBLIC WORKS	303 6	340 0	440	370 0
7 RCPTS OTHER AGENCIES	229 7	286 0	188	270 0
8 RCPTS INDST ENTERPRISE	51 3	53 0	48	50.0
9 MISC REVENUES	161 1	138 0	126	150.0
10 REIMBURSEMENTS	840.9	411.0	12	110.0
11 SPECIAL RECEIPTS	213 5	630.0	478	200 0
12 CONTRIBUTIONS	—	—	200	—
TOTAL	11,547.7	11,984.0	10,890	11,850.0

	1961	1962	1963	
			Budget	USOM Est.
13. DEDUCTIONS				
a. Domestic Loans, Advances				
b Foreign Loans				
c. Reserves	— 120.0			
d Autom Agencies				
e. Enterprise Rev				
f. Intragvt Transfers				
1) 5/7ths Contrib /14c/	— 650.0	— 337.0		— 110 0
g Other				
1) Taxes on Aid Goods	- 1,032 0	— 1,990.0		— 1,930 0
2) Repayments of Advances	0	— 410.0		0
3) Prior Year Taxes	- 202 0	— 219.0		-- 200 0
14 ADDITIONS				
a&b National Lottery	• 150 0	• 210 0		• 300 0
b Shared Taxes	• 305 0	• 310 0		• 300 0
c 5 7ths Taxes, Pereq/Stab	• 2,551 0	• 1,965 0		• 2,120 0
d Prior Year Taxes	• 202 0	• 219 0		• 200 0
e Subtotal, Unadjusted	12,752 0	11,732 0		12,510 0
f Cash Adjustment	-- 117 0	- 246 0		na
g Subtotal, Adjusted	12,635 0	11,486 0		12,510 0
h Foreign Aid	4,745 0	9,269 0		11,100 0
i Grand Total Revenue	17,380 0	20,755 0		23,610 0

	1961	1962		1963
		Budget	Final Actual	
I. BUDGET EXPENDITURES				
1 AGENCIES	5,625.4	5,997.3	6,171.0	7,716.0
a National Assembly	72.0	87.5	Detail	68.0
b Presidency	318.6	300.5	not	304.7
c VPresidency	2.8	4.3	Avail.	5.5
d Presidential Agencies	789.5	230.7		202.2
e Natl Courts, Councils	-	3.6		6.2
f Foreign Affairs	130.2	124.3		143.6
g Justice	105.1	109.8		110.2
h Security	—	—		-
i Interior	969.1	934.3		1,632.5
j Cultural Social	1.3	3.6		3.2
k Civic Action	3.9	545.6		575.5
l Education	969.4	1,169.2		1,326.4
m Health	343.4	443.2		528.9
n Labor	30.8	33.2		32.7
o Economic Development	-	-		-
p Finance	391.3	402.6		428.0
q Economy	59.1	65.5		65.3
r Rural Affairs	245.4	263.0		706.3
s PWks & Communications	1,153.5	1,283.4		1,276.9
t Strategic Hamlets Policy				200.0
II. General Expenditures	2,343.1	3,079.7	3,052.0	1,783.9
a Subsidies, Provinces	) 2,137.2	)	Detail	)
b " , Autos Agencies	)	)	not	)
c " , Pensions		) 2,100.7	Avail.	) 1,257.0
d " , Intl Org		)		)
e Capital				
f Reimbursements, Refund	71.6	96.2		98.5
g Contingency	112.3	670.0		217.0
h Reserves	- -	200.0		200.0
i Misc	21.8	12.8		11.4
j Budget Advances				
SUBTOTAL I + II	7,968.5	9,077.0	9,223.0	9,500.0

	1961	1962		1963
		Budget	Final Actual	
III. NATIONAL DEFENSE	8,305.1	12,105.0	12,006.0	13,860.0
a. RVNAF	6,711.5	9,283.5	9,217.0	
b Civil Guard	1,331.1	1,553.4	1,488.0	
c. Self Defense Corps	262.5	984.8	1,029.0	
d Other		291.3	272.0	
GRAND TOTAL	16,273.6	21,182.0	21,229.0	23,360.0
IV. ADDITIONS				
a Shared Taxes	+ 305.0		0	0
b Export Subsidies	+ 1,232.0		+ 1,440.0	+ 2,010.0
c Other Current (B8b)	+ 305.0		+ 385.0	+ 770.0
d Lottery Investment	+ 150.0		+ 210.0	+ 330.0
e Ec Dvlpmt Bgt Investment	- -		+ 400.0	+ 500.0
f Oth XB Investment			150.0	0
g US Aid Invst (B7b2)	+ 310.0		+ 385.0	+ 460.0
h For Aid Invst (B7b3)	+ 90.0		617.0	+ 370.0
i Other				
j Mil Cash Adjustment	— 107.0		— 510.0	0
k Civ Bgt Cash Adjst.	— 477.0		— 1,481.0	— 1,200.0
V DEDUCTIONS				
a&b Debt Retirement	— 67.0		— 70.0	— 70.0
c Reserve Funds				
d Autos Agencies				
e Enterprises				
f Intra-governmental				
g Other				
1) Cash Adjustment				
TOTAL ADJUSTED	18,014.0		22,753.0	26,500.0

In Sections A and B, parenthetical symbols designate the Title (roman numerals) and Chapter (arabic numerals) which these items relate to in GVN budget documents. The designation (XB) indicates that the item is extra-budgetary and cannot be found in budget documents; these figures are usually USOM estimates.

Bracketed designations relate to either line items in this section. For example, in Section B-3, item «t», Subsidy Fund. the designation /A1b6,7,8/ indicates that item is composed of the sum of items 6, 7 and 8 under arabic A1b.

3. Special Legends: «x» indicates which specific items are included in summing up to the overall total. For example, in Section A1b, there are a number of non-add items (usually enclosed in parentheses); to obtain the total A1b for 1961-63, one takes only the items designated by «x».

(+, —). Basically, the data in the revenue and expenditure portions of this statistical appendix are derived from GVN budget sources. However, a certain number of extra-budgetary items have been added, and a number of non-applicable budgetary items have been deducted. These additions (+) and deductions (—) are specifically designated by the use of the appropriate symbol found alongside the number. Sections U and V provide a summary of the reconciliation between budget data and the consolidated data. Each of these + and — items can be identified in the reconciliation.

In certain portions of these tables, a specific figure desired is derived by a series of additions or subtractions. In these instances, the + and — symbols are not used, but instead, the item designation is: «Plus» (or) «Less».

MILITARY EXPENDITURES IN VIETNAM

(STAFF)

This study concerns itself with three questions: 1) In past years, did actual military expenditures meet estimated or proposed levels? 2) What has been the time-pattern of military spending? And 3) Could and should military outlay projections be put on a «cash» rather than on a «budget» basis?

A description of the budget cycle and the monthly report of MAAG on the implementation of the regular military budget is given before discussing these questions.

A) THE MILITARY BUDGET CYCLE & THE REPORT «STATUS OF OBLIGATION & EXPENDITURES»

1. The Budget Cycle

a) Development of Budget

This phase begins on January 1 of the year preceding the start of a new Vietnamese Fiscal Year (which coincides with the Calendar Year except for a période complémentaire discussed below. Meetings are held by the GVN Department of Defense and subsequently by the U.S. Military Assistance Advisory Group (MAAG) in order to:

1) Develop a «minimum essential requirements» budget without regard to availability of funds.

2) Determine on the basis of GVN proposals as revised and approved by MAAG, which items will be financed by the U.S. within the ceiling set by proposed aid levels, and which by the GVN. Generally, the U.S. finances those items which the MAAG considers to be the most crucial to U.S. objectives here.

3) Determine priorities. When funds available are expected to be lower than requirements, items with the lowest priority are left unfinanced. For example, in 1963 housing for dependents was left largely unfunded.

4) Submit the agreed budget including joint support to the U.S. Country Team in Vietnam for approval.

5) The Country Team Approved Budget is delivered to the Vietnam Department of Defense (DOD) so that implementation may begin. This generally occurs around November of the year prior to the budget year.

6) A Project Agreement specifying all the above decisions (sometimes with amendments thereto) is drawn up by USOM and, when signed by the USOM Director and the Secretary of State at the Presidency, becomes the formal Military Budget Support Agreement. Since 1958, this step has been taking place later and later during the budget year.

b) Implementation of the Budget

Implementation of a given year's budget continues over a four-year period.

1) Obligation Authority (credits) may be released

until the end of February of the year following the budget year. These credits are released by the MAAG for the U.S.-support portion, and by the Administration, Budget and Accounting Office (ABA) of the GVN DOD for the VN-support portion. Both the MAAG and the ABA are constantly alert to the areas where savings might be possible, and where such cases are found they do not release credits for such items.

2) Obligations against credits released may be incurred during the same 14-month period, but an additional 3 months are allowed for minor accounting adjustments. This 5-month period from January to May the year after the budget year is called the «période complémentaire». The GVN may obligate more than the Project Agreement amount but such funds would have to be expended from their own resources.

3) Expenditures against funds obligated may be made until December 31, 3 years after the end of the budget year. After that time the budget is closed. Only at that time can it be determined whether the actual amount spent came up to, fell short of, or exceeded the Project Agreement.

4) Releases of Counterpart or US-owned currencies are requested each month. The GVN DOD estimates how much US-support will be required for the succeeding month; this request is refined by the MAAG on the basis of prior months' experience; the MAAG transmits the request, as adjusted, to USOM, where the funds are released. Thus, these releases are also made over a 4-year period.

2. MAAG Report « Status of Obligations and Expenditures »

A report is prepared monthly by MAAG giving full details on the progress in implementing the approved military budget. The report is in three parts: a) U.S.-support for current year budget, b) VN-support for current year budget and c) a closing chapter (chapter 27) covering the unliquidated obligations of prior year budgets, but only for that portion of the budget which the US supports.

a) U.S.-support for current year budget

For the first 17 months of a budget year, expenditures. The 17th report - for May 31 of the following year - - is the «Final» report.

b) VN-support for current year budget

The agreed-upon VN-support portion is treated similarly. If the Project Agreement amount has been over-obligated in items which are considered to be military expenditures by MAAG, these over-obligations are included in the section for VN-support. However, the GVN definition of military expenditures is somewhat broader than the MAAG definition. In 1962 and 1963, a separate table is shown giving details on items which GVN considers military but MAAG does not. This table is given for information only and is not included in summary recapitulations.

c) Chapter 27

This is a closing chapter covering the unliquidated obligations of the prior year budget, for US-support portion only. The VN portion cannot be reported since it includes as a lump sum all other items which were not in the approved budget. These unliquidated obligations are liquidated on a total basis, rather than by Chapter and Article, for three years

following the budget year concerned, at which time unliquidated obligations are no longer eligible for U.S. support.

The FY 1959 budget may serve as an example of how the system operates:

1) Seventeen monthly reports were prepared by Chapter and Article, the report as of May 31, 1960 is the «Final» report.

2) Unliquidated obligation of the U.S.-support portion, as of May 31, 1960, are transferred either in full or in partial amount into Article 3, Chapter 27 of the reports on the 1960 budget. Expenditures against these sums are reported monthly in the reports on the 1960 budget.

3) Unliquidated obligations as of December 31, 1960 are transferred into Article 3, Chapter 27 of the reports on 1961 budget and expenditures are shown monthly.

4) Unliquidated obligations as of December 31, 1961 are transferred into Article 1, Chapter 27 of the reports on the 1963 budget and expenditures shown monthly. On December 31, 1962, the budget is considered «Closed» and any unliquidated obligations are no longer eligible for US support.

The above describes how Chapter 27 should operate in principle. In fact, however, Steps 1 and 2 generally occur around August or September; Steps 3 and 4 are rarely cut off on December 31 but run on for several additional months.

Note that the figures in all columns of Chapter 27 are not included in the summary recapitulations for the current year budget. But this applies only to the MAAG report; in the Vietnamese budget documents, Chapter 27 is included in the totals for the current year.

A complication in the use of these data for determination of cash expenditures in any one year is introduced by GVN use of a system of cash advances. These permit expenditure for unforeseen or extraordinary requirements which would be unduly delayed by normal documentation procedures. Thus, although the actual cash expenditures may occur in a given year, they are not recorded in some cases until the succeeding year, presumably during the période complémentaire. This system was only recently discovered by the Mission. In the subsequent sections of this paper, details on this cash advance system are provided in order to permit adjustments in MAAG data.

A further complication in analyzing military expenditures arises in connection with paramilitary expenditures. The paramilitary budget provides for requirements of the Civil Guard and the Self-Defense Corps. The U.S. does not provide direct support for this budget, and does not receive progress reports on paramilitary expenditures. As a result, the Mission has not as yet been able to obtain information concerning the pattern of cash expenditures under this budget. The evidence to date however does indicate small shortfalls (actual outlays below projected level) averaging roughly 5 per cent of the budget for the period 1959-1961. However, since paramilitary expenditures account for only about 20 per cent of total defense expenditures, this shortfall has only a minor affect on the overall defense expenditure outlook.

Data on paramilitary budgets and expenditures

are included below in Annex Table I.

B) INTERPRETATION OF COUNTRY ASSISTANCE PROGRAM (CAP) DATA SUBMISSIONS

In CAP submissions, the following considerations render CAP data not strictly comparable with other data sources (such as the MAAG reports) and may give rise to certain misunderstandings about military expenditures.

1. CAP and Form 10-74 presentations to data have reported defense expenditures on the basis of the GVN's report of expenditures during the initial 17-month accounting period. These figures are not comparable to MAAG 17-month data since GVN/CAP data include small amounts (averaging about VN$ 220 million each year) of delayed expenditures from previous years budgets. Moreover, the GVN/CAP data include for 1960 and after, small amounts of spending for items which have been excluded from the agreed regular military budget because MAAG classifies them as non-military. Table A provides a reconciliation between CAP and MAAG data, compared with agreed budget figures:

Table A

(in millions of piasters)

	CY 1958	CY 1959	CY 1960	CY 1961	CY 1962
FINAL AGREED BUDGET	6,007	6,012	5,879	6,516	9,283
17-Month Expenditures Latest CAP Figure	6,048	5,895	6,090	6,712	n.a.
Less Prior Year Expenditures (Chap. 27)	-259	-202	-242	-215	n.a.
Less MAAG-excluded Items	0	0	-41	-146	n.a.
MAAG Data	5,789	5,693	5,807	6,351	8,881

Table B shows that in only one year out of five was the agreed budget significantly below the earliest CAP projection. In fact earlier estimates and initial budget figures tended to be lower than the final budget for the two most recent years, 1961 and 1962. (For a detailed comparison of all CAP data on Defense Expenditures for the Five-year period, see Annex Table I).

Table B

COMPARISON OF CAP SUBMISSION BUDGET ESTIMATES AND AGREED BUDGETS FOR REGULAR MILITARY EXPENDITURES

(in millions of piasters)

	(A) Earliest Estimate	(B) Second Estimate	(C) Agreed Budget
1958			6,007
1959	6,100		6,012
1960	6,100		5,775
1961	5,600	5,900	6,700[a]
1962	5,900	8,500	9,283

(a) In contrast to other years, this figure was an estimate of actual expenditures for the year rather than an agreed budget figure.

2. **Pattern of Expenditures under Specific Year's Budget**

Expenditures under the regular military budget, as noted above, continue over a four-year period. Reference to expenditures reported prior to the end of the four-year budget period, as for example in the CAP, may give the impression that expenditures fell below authorizations under this budget, whereas in fact expenditures may still be continuing.

Table C below (based on MAAG reports) shows that for all budget years completed or nearly completed to date, expenditures have come within 1.1 per cent of the budget target. (See Appendix Table II for absolute data and percentage expenditure patterns in detail).

Table C

PATTERN OF EXPENDITURES: UNDER REGULAR MILITARY BUDGET

(Cumulative percentages of final budget)

Spent as of	Budget Year		POST BUDGET YEARS			
			Second Year		Third Year	Fourth Year
	6/30	12/31	5/31	12/31	12/31	12/31
BUDGET YEAR						
1958	48.5	83.4	96.4	98.8	99.6	100.3
1959	42.5	87.7	94.7	97.5	98.8	98.9
1960	43.4	89.8	98.7	100.4	100.8	n.a.
1961	38.6	90.0	97.5	99.0	n.a.	n.a.
1962	40.1	89.1	95.7	n.a.	n.a.	n.a.
1961	40.0	n.a.	n.a.	n.a.	n.a.	n.a.
Weighted Average	41.8	88.1	96.5	98.9	99.7	99.8

On an average, roughly 88 per cent of budget-authorized expenditures occur during the first year of the budget period and another 8.5 per cent occur during the five-month **période complémentaire**. The second year accounts for roughly 11 per cent, with an additional 1 per cent in the third year and virtually nothing in the fourth year. Thus, reference to Budget Year 1962 expenditure data with a cut-off date of May 30, 1963 will show an unexpended balance of 4.3 per cent; this is not a shortfall, but a balance likely to be almost completely expended during the following year or two.

Unfortunately this surprisingly consistent pattern of expenditures documented by MAAG is upset somewhat by a GVN system of cash advances approved for expenditure during the budget year which are not finally documented until the **période complémentaire**. These advances have fluctuated in volume, but on average during the three latest years they have increased the percentage spent in the first year by about 6 per cent, to 94 per cent, reducing actual cash expenditures in the **période complémentaire** correspondingly.

Table D shows the extent to which expenditures have reached agreed budget levels, as of latest available data (see Appendix Table III for detail).

Table D

GVN REGULAR MILITARY BUDGET
(Comparison of Budgets and Actual Expenditures)

(in millions of piasters)

YEAR	(A) Project Agreement Budget	(B) Final Budget w/ Revisions	(C) Actual Expenditures as of 6/30/63	Overexpenditures (+) or «Shortfall» (—) $\frac{C-B}{B}$	Period Remaining For Charging Expenditures
1958	6,007	6,007	6,022	+ 0.2%	Closed
1959	6,118	6,012	5,946	— 1.1%	Closed
1960	5,775	5,879	5,928	+ 0.8%	6 months
1961	6,516	6,516	6,474	— 0.6%	1-1/2 years
1962	9,007	9,283	8,881	— 4.3%	2-1/2 years
1963		10,542	4,216	n.a.	3-1/2 years

Only for the last two budget years, 1962 and 1963, having 2-1/2 to 3-1/2 years to run, did expenditures fail to come within 1.1 per cent of the budget target.

4. **Calendar Year Cash Expenditures under Regular Military Budget.**

On a calendar year cash basis, it would be incorrect to allege a short-fall in military expenditures on the grounds that, on average, only 94 per cent of a budget is expended in the budget year, for this omits consideration of cash expenditures during that calendar year delayed from prior year budgets. It is this cash expenditures approach which is of greatest relevance for examining the fiscal impact of military budgets and expenditures. Table E compares cash expenditures with agreed budgets for 1958-1962:

Table E

COMPARISON OF AGREED BUDGET AND CASH EXPENDITURES, 1958 - 1962

	1958	1959	1960	1961	1962	Total 1958/62
A. Agreed Budget	6,007	6,012	5,879	6,516	9,283	33,647
B. 1 Budget Year Expenditures		5,271	5,285	5,869	8,273	
2 Delayed Expenditures, 1st yr.		920	591	621	581	
3 2nd yr.		(57	46	74	22	
4 3rd yr.		(	27	42	10	
C. Unadjusted Cash Expenditures	5,708	6,248	5,949	6,606	8,886	33,397
Plus Cash Advances in Budget	+ 821	+ 78	+ 438	+ 291	+ 306	
Less Cash Advances Made in Previous Year but Documented in Row B-2	(— 77)	— 821	+ 78	— 438	— 291	
D. (Net Cash Advances)	(+ 744)	(— 743)	(+ 360)	(— 147)	(+ 15)	
E. Adjusted Cash Expenditures	6,452	5,505	6,309	6,459	8,901	33,626

Cash expenditures adjusted for cash advances fell below agreed budget levels in two years, 1959 and 1962, by 8.4 per cent and 4.1 per cent respectively. In two other years they were 7 per cent above agreed budget levels.

Over the five year period these variations between cash and budget figures have averaged out so that the five-year totals for budget and cash are within 0.1 per cent of each other.

Thus for the period as a whole there was no shortfall in cash expenditures. What shortfalls occurred in particular years resulted merely from shuffling of funds between years, by consequence of differing amounts of cash advances and payments lags.

C) REPORTING ON A CASH RATHER THAN BUDGET BASIS.

1. **Comparison of Cast and Budget Estimates.**

Table F below compares finally agreed budget for regular military expenditures with actual cash and cash expenditures adjusted for advances for the same years.

Table F

COMPARISON OF AGREED BUDGETS & CASH EXPENDITURES, 1958-1962

(Millions of piasters)

Budget Year	1958	1959	1960	1961	1962
A. Final Agreed Budget	6,007	6,012	5,879	6,516	9,283
B. Cash Expenditures, Unadjusted	5,708	6,248	5,949	6,606	8,886
C. Cash Expenditures, Adjusted	6,452	5,505	6,309	6,459	8,901
D. (B-A)/A	- 5.0	+ 3.9%	+ 1.2%	+ 1.4%	- 4.3%
E. (C-A)/A	+ 7.4	- 8.4%	+ 7.3%	- 0.9%	- 4.1%

The unadjusted cash expenditures follow a surprisingly regular chronological pattern (Table C) and come on an algebraic average for the five years within 3 per cent of the budget figure. Unfortunately the adjusted cash expenditure figure, which is the more realistic gauge of GVN fiscal operations, shows a greater deviation from the budget figure averaging 5.6 per cent for the fiscal year period.

2. **Projection of Military Expenditures.**

Estimates of levels of military expenditures in future years are based on data provided by the military. The figures so provided are yearly budgets rather than estimates of cash expenditures in a calendar year. Estimates of expenditures, military and civil, should relate to cash outgo which most directly impinges on the economy. Even though, conceptually, expenditures (and revenues) should be projected on a cash basis, there are several reasons why, in the case of military outlays, this is both difficult and unnecessary.

The main difficulty in converting budget estimates to a cash basis lies in the erratic behavior of cash advances over time. Another difficulty is that while cash expenditures (less cash advances) follow a consistent pattern in relation to budget targets as long as the latter remain at a relatively constant level, these cash expenditures tend to fall below budget figures in a period of rising budget targets and conversely tend to exceed budget targets in periods when these are revised downwards.

Despite these difficulties, the conversion of budget figures to the cash concept results in only minor revisions of the former. In fact such conversion, applied to data for past years, results in less than a one per cent change in the budget figures. The greater deviations noted in the actual adjusted cash figures of Table F are due mainly to the irregularity of cash advances.

It will be noted that some 94 per cent of any given budget figure is expected to be spent in a given year,

to which should be added several percentage points for expenditures for obligations carried over from preceding years.

Inasmuch as the budget projections themselves by the very nature of the estimation process are subject to a margin of error which is likely to exceed one per cent it appears superfluous to subject these figures to a series of doubtful and debatable corrections. Accordingly it is proposed to project budget figures but to consider them tantamount to cash outlays.

Table 1

NATIONAL DEFENSE EXPENDITURES AS REPORTED IN CAP

In CAP prepared on this date	These figures were given for National Defense in these years (millions of piasters)				
	1958	1959	1960	1961	1962
Regular Military Budget (a)					
7/31/58	6,007	6,100	6,100		
9/9/59	6,048	6,012	5,775	5,600	
8/1/60 (Exc Self Def Corps)		5,900	5,775	5,900	5,900
12/18/61		5,895	6,090	6,700	8,500
12/10/62				6,712	9,283
7/18/63					9,283
Para Military Budget					
7/31/58)					
9/9/59)		Not included in National Defense			
8/1/60)					
12/18/61		1,180	1,227	1,665	2,100
12/10/62				1,594	2,470
7/18/63					2,470
National Defense inc Para Mil.					
12/18/61		7,075	7,317	8,365	10,600
12/10/62				8,305	11,753
7/18/63					11,753

(a) Including small amounts not eligible for joint financing.

Notes to Table I

Table I - CAP Estimates of Expenditures for National Defense.

In this table, lines B-1 of Table C-3 in the Country Assistant Program Submissions (CAP formerly CPB) are shown, starting with the 7/31/58 submission, the earliest one available. In the preparation of Table C-3 in past years, the figures were constructed as follows:

1. **Regular Military Budget.** – The figure for a completed VN fiscal year generally represented actual (or estimated actual) expenditures against that year's budget made during the budget year and its **période complémentaire**, including all expenditures from the Closing Chapter. The figure for an operational fiscal year represented MAAG's best estimate.

2. **Paramilitary.** Paramilitary expenditures were included in National Defense starting with the 12/18/61 submission. (The Self-Defense Corps had been included in the 8/1/60 submission but has been removed in Table I). In the 12/18/61 submission, the figures for 1959 and 1960 represented actual expenditures over 17 months, 1961 was the budgeted amount and 1962 was an estimate. In the 12/10/62 submission the 17 months actual was substituted for 1961, and the 1962 estimate was revised upward.

Table II

REGULAR MILITARY BUDGET, PATTERN OF EXPENDITURES
CUMULATIVE EXPENDITURES

Fiscal Year Budget	Project Agreement (as Amended)	1st year				2nd year		3rd year	4th year
		Mar	Jun	Sep	Dec	May	Dec		
A. — Millions of Piasters									
1958	6,007	1,388	2,914	3,636	5,014	5,789	5,934	5,980	6,022
1959	6,012	1,293	2,552	3,859	5,271	5,693	5,862	5,936	5,946
1960	5,879	1,279	2,550	3,843	5,285	5,807	5,906	5,928	
1961	6,516	1,406	2,517	4,271	5,869	6,351	6,450		
1962	9,283	1,887	3,718	5,858	8,273	8,881			
1963	10,542	2,060	4,216						

Table II (Continued)

REGULAR MILITARY BUDGET, PATTERN OF EXPENDITURES
CUMULATIVE EXPENDITURES

Fiscal Year Budget	Project Agreement (as Amended)	1st year				2nd year		3rd year	4th year
		Mar	Jun	Sep	Dec	May	Dec		
B. — Cumulative Per cent of Project Agreement									
1958		23.1	43.5	60.5	83.4	96.4	98.8	99.6	100.3
1959		21.5	42.5	64.2	87.7	94.7	97.5	98.8	98.9
1960		21.7	43.4	65.3	89.8	98.7	100.4	100.8	
1961		21.6	38 6	65.5	90.0	97.5	99.0		
1962		20.3	40.1	63.1	89.1	95.7			
1963		19.5	40.0						
Weighted Average		21.0	41.8	63.7	88.1	96.5	98.9	99.7	99.8

Notes to Table II

Table II — Pattern of Expenditures.

The figures in this table were taken from the MAAG report and show periodic expenditures against each year's budget both in value and as a per cent of the project agreement amount. The weighted average of the cumulative rates at the end of each period is also shown.

Note that for each period the rate shown is the per cent of the final budget of the amount available at that time. For example, the rate for June 1961 is 38.6 per cent (i.e. 2,517/6,516). If the 2,517 were taken as a per cent of 6,066, the amount available in June, the result would be 41.5 per cent. In principle, this latter rate at mid-year should have been well over 41.5 per cent to indicate that the level for the year was too low, but in this case the increase in forces which created the need for increased funds did not begin until after June.

Table III

REGULAR MILITARY BUDGET ; AGREED LEVELS, OBLIGATIONS & EXPENDITURES

(Millions of Piasters)

US Fiscal Year	Agreed Budget Level				Credit Released	Cumulative Obligations	Expenditures to June 1963 [a]
	CT-approved Budget at Start of Year	Project Agreement Date Amount	Firts Amendment Date Amount	Second Amendment or Final Date Amount			
1958 US Support[b]	6,007	3/8 6,007		6,007	6,007	6,081	6,022
1959 Total	6,118	3/19 1,118	1/61 6,012[c]	6,012	6,000	5,929	5,946
US Support	5,982	5,982	5,877	5,877	5,865	5,815	5,811
VN Support	136	136	135	135	135	114	135
1960 Total	5,775	5/60 5,775	1/61 5,879	5,879	5,837	5,982[d]	5,928
US Support	5,281	5,443	5,547[c]	5,547	5,517	5,593	5,517
VN Support	494	332	332	332	320	389	411
1961 Total	6,066	7/61 5,516		6,516	6,451	6,522	6,474
US Support	4,690	5,821		5,821[e]	5,782	5,782	5,734[e]
VN Support	1,376	695		695	669	740	740
1962 Total	8,742	5/62 9,007[f]	7/62 9,283	12/62 9,283[f]	9,152[g]	9,119[g]	8,881[g]
US Support	6,551	6,816	7,034	7,275	7,196	7,170	6,971
VN Support	2,192	2,191	2,249	2,008	1,956	1,949	1,910
1963 Total	10,674	Not signed	3/63 10,542		4,936[b]	4,859[b]	4,216
US Support	7,558	at 6/30/63	7,558		3,529	3,493	3,053
VN Support	3,116		2,984		1,407	1,367	1,163

(a) Indicates budget closed.
(b) Including VN portion paid by customs deposits in counterpart fund.
(c) Transfer of 105 millions to CY 60 to partially cover deficit between January and May 1961.
(d) Over Obligations not approved by MAAG.
(e) Since Customs Duties were not deposited in Counterpart Fund after January 1, 1962, USOM has supplied only 5,442 mill piasters against 1961 budget.
(f) Project Agreement not signed until Dec. 7, 1962.
(g) Preliminary for May 1963.
(h) To June 1963

Notes to Table III

Table III. Regular Military Budget — Agreed Levels, Obligations and Expenditures

This table is taken from the MAAG Report «Status of Obligations and Expenditures». It shows for each budget year starting with 1958:

1. **The Country-Team Approved Budget for the Year** — This is the amount agreed upon for joint support around November of the prior year. The GVN may, of course, spend over this amount from its own resources.

2. **The Project Agreement amount and any amendment thereto** — For the first three years, changes from the CT-approved levels were relatively minor. The start of the forces build-up in mid-1961, however, resulted in an increase of 450 million piasters in the budget for that year. For 1962 the CT-approved level was increased twice: in May by 265 million as a result of the February military pay increase, and in July by 276 million as a result of the mid-year review. In March 1963, the CT-approved budget for 1963 was reduced unilaterally by the RVN DOD by 135 million.

3. Credits released and Obligations — These are the final figures as shown on the report for May during the year after the budget year.

4. Expenditures to June 30, 1963 - - This represents expenditures over the entire 4-year period for the two closed budgets – 1958 and 1959 - and to the latest date available for others. The 1960 budget has 6 months left, the 1961 budget 18 months and the 1962 budget 30 months.

CONSOLIDATED BALANCE SHEET OF THE BANKING SYSTEM OF VIETNAM

(ALEK A. ROZENTAL)

One of the crucial problems confronting U.S. economic policy in Vietnam is the impact of budgetary deficits, present and anticipated, on the price level.

This study introduces and discusses the consolidated balance sheet of the banking system, an analytical tool designed to illuminate the institutional background affecting the key variables of the money market in Vietnam.

The Consolidated Statement of the Banking System:

Table I presents the consolidated statement of the monetary and banking system for the period 1959-1962 as of December 31, of each year. It is a more complete statement than that presented in the U.S. Operation Mission's Annual Statistical Bulletin but it does blanket a large number of special accounts under the « Other Assets » category.

The consolidated statement combines the financial statements of the Government of Vietnam, the National Bank, the commercial banks and the Treasury with the information regarding other financial institutions such as the Savings Bank and the Post Office Saving Accounts The statement does not include monetary assets and liabilities held by individuals outside the banking system and/or abroad. The consolidated statement also excludes the assets and liabilities of certain specialized financial institutions (e.g. National Agricultural Credit Office).

The group of accounts under the heading of « Claims on the Foreign Sector » gives gross gold and foreign exchange balances with the International Bank, International Monetary Fund, and the International Development Association, with those of the National Bank and with the commercial banks. These balances are netted out by subtracting from them the amounts owed (held by) the Exchange Equalization Fund (a debit of 68 million piasters at the end of 1962), the Stabilization Fund (166 million) and the Surtax Account (636 million), the international financial institutions, and the balances held by foreign institutions and nationals at the National Bank and at the commercial banks of Vietnam. With the exception of the last category, all of the above are not relevant for the purpose of establishing the actual foreign exchange reserves at the disposal of GVN. This is so because these accounts represent piaster funds used to implement what is still in effect, a multiple exchange system in Vietnam. It is interesting to note that in spite of effective devaluation on January 1, 1962, the legal rate of exchange remains set at 35 piasters to the dollar. Accordingly the foreign exchange reserves held by NBVN are expressed on the books of the National Bank by multiplying them by 35. One

consequence of this accounting practice is that the minimum ratio of gross reserves to currency in circulation and deposit liabilities which is statutorily set at 33 per cent is now around 25 per cent. In fact, however, foreign exchange reserves when calculated at a more realistic rate are still well above the minimum requirement of 33 per cent.

The 118 million piasters owed by the Treasury represents the continuing liability of the GVN to the United States arising out of the MSP loan of 1956 under which $ 3.38 million was paid as the initial contribution to the IMF and IBRD.

« Claims on the Public Sector » include National Bank loans to the Treasury composed of the 10,680 million piasters of consolidated debt and the remainder in « temporary » advances. During 1962 the National Bank also made temporary advances to the counterpart account of which some 1,400 million remained owed by the end of the year. The National Bank chose to carry this advance under other assets.

It should be noted that under Art. 57 of the National Bank Statutes cumulative « temporary » advances to the government cannot exceed 40 per cent of the total budgetary receipts (including foreign aid) in the preceding fiscal year. So long as this limitation is in force, and is abided by, the exclusion of temporary advances to the counterpart account from the statutory ceiling makes it possible for the GVN to incur a larger budget deficit than would otherwise be the case.

In a consolidated statement such as presented in Table I the balance sheet is that of the system as a whole. This gives rise to a number of conceptual difficulties inasmuch as the « system » is not a legal entity and a particular item is an asset when looked at from one point of view and a liability when regarded from another standpoint. Thus, private demand deposits at the Treasury are at the same time the system's claim against the government and its liability to the individuals. The same applies to private time deposits both at the Treasury and the Post Office. Commercial bank's deposits at the Treasury are not, however, paralleled on the liability side of the consolidated statement because commercial banks act as intermediaries and the system's obligation to the public is netted out through other credit accounts notably under the heading of « Public Deposits. »

Private credit has, in Vietnam, certain peculiarities that merit a separate discussion. Such discussion is provided below.

«Other Assets» contain a large number of accounts, some of which were set up to deal with transactions arising out of imports and exports, others to handle earmarked funds under the control of the Ministry of National Economy. In addition, tangible assets of the National Bank and of the commercial banks are also blanketed under the « Other Assets » category.

The substantial increase shown in 1962 under other assets of the National Bank, is due, as stated previously, to the advances made to the counterpart account during that year. Of the original advance of 1,900 million, 1,400 million remained outstanding at the end of the year.

The 750 million shown under other assets of the Treasury represents a wash transaction arising out of the 1957 and 1958 devaluations of the French Franc.

The asset is offset by an equal reduction in «non-monetary» assets of the NBVN.

Money Supply consists of notes in circulation and private demand deposits. Notes in circulation are net of cash balances held by the National Bank, the commercial banks and the Treasury. The consolidated statement includes, under private demand deposits, not only those held at the commercial banks but those kept with the Treasury and at the Post Office. While inclusion of post office deposits is debatable the amount involved is insignificant. The inclusion of private demand deposits at the Treasury is warranted in Vietnam where the Treasury fulfills the functions of a commercial bank, especially in the provinces.

Time deposits of commercial banks included at the end of 1962 343 million piasters of guarantees against commercial letters of credit.

Time deposits of businesses, individuals, and of private pension plans at the commercial banks receive a maximum interest return of up to two and one-half per cent depending on the length of time they are held. It is contended that this low rate of return (compared with other countries in the area) impedes the growth of voluntary saving but, on the other hand, it does help to maintain a rather low level of basic interest charges on banking accommodation to local business. These rates range from 6 to 8 1/2 per cent on most commercial loans. However, commercial banks in Vietnam are liable for payment of a tax on interest paid by them, with the result, it is alleged, of carrying some deposits as current accounts, yet in fact paying more on them than the maximum allowable rate of 0.5 per cent.

Time deposits held at the Treasury are mainly funds of certain semi-public institutions (i.e., Electricity Authority, Port of Saigon) and funds held in escrow (of individuals). Deposits of saving banks are held at the Treasury where they receive 2.5 per cent per annum, while the savings institution pays 1.5 per cent to its depositors. Thus the Treasury in fact subsidizes the operations of the Saving Bank of Saigon. During this last year, Credit Commercial, the autonomous commercial banking annex of the National Bank, has instituted special savings accounts at its central office and branches, where in addition to the contractual rate of 1.5 per cent, an additional one per cent of the total savings is divided among a number of accounts drawn by a lottery. The additional lots are drawn on the basis of one for each 1,000 accounts and the winner can, in effect, obtain as much as forty per cent return on his deposit. These deposits are included among the total of commercial bank deposits.

Public deposits at the National Bank include those held by the Treasury to which are transferred most of the monies and balances accruing to the national budgets as well as releases from the counterpart account and U.S.-owned currency accounts. Other public bodies maintaining balances at the National Bank are those of the Central Purchasing Agency, the Industrial Development Center, the Electricity Authority and others. These accounts are usually maintained for specified and prescribed purposes.

Notes held by the Treasury are those held by the Saigon and provincial Treasuries in the vaults. The amounts are included in the liabilities of the monetary system because they were previously subtracted from

the total of notes outstanding.

Public deposits held at the National Bank include, as suggested previously, those of the Treasury.

Counterpart accounts are at present all held at the National Bank. The 5/7 Surtax account, although shown separately, is in fact a counterpart account and comes from U.S.-financed commercial imports. One possible reason for showing the surtax apart from the other proceeds of the commercial aid program is that the GVN grants importers delays in the payment of the surtax while the official rate counterpart has to be paid in no later than the date of arrival of the goods.

It should be noted that not all accounts employed to handle foreign trade transactions are shown in the consolidated balance sheet as separate accounts. In particular, the balances held at the Surtax-Financial Subsidies account, are hidden among « other assets » or « liabilities ». A fuller discussion of those accounts is given on pp. 27-8 of the Staff Report of the IMF Consultations published on February 27, 1963.

Capital accounts presumably include balance other than the « net worth » as understood in Western double-entry bookkeeping practice. That this is so is suggested by the circumstance that from 1961 to end of 1962, there is a decrease shown under the capital accounts of the National Bank which would suggest an operating deficit. Articles 81 and 82 of the National Bank Statutes provide that National Bank reserves have a first claims on profits and constitute first source of deficit coverage. In point of fact, National Bank's capital, reserves and contingency funds, as these are understood in U.S. accounting practice, rose from 939 million piasters in 1961 to 1,110 million in 1962, reflecting an operating profit of some 200 million piasters during the year.

With respect to the commercial banks, the accounts pertain to the « net worth » items as these are generally understood. Local banks owned abroad are not required to maintain capital stock to operate in Vietnam. Their capital account is made up of current earnings and both transferrable and non-transferrable accumulated profits.

Other liabilities as well as other assets include numerous special accounts not necessarily the same on either side of the balance sheet for the system. This asymmetry is perhaps the chief reason for the existence of statistical discrepancy.

Private Credit :

It was suggested earlier that private credit in Vietnam possesses special characteristics that merit a more extended discussion than the cursory survey accorded other items of the consolidated balance sheet. Perhaps the most important of these is the lack of « investments » among the earning assets of the commercial banks. Commercial bankers in Vietnam also maintain that there is a dearth of eligible commercial paper within the financial structure of the country. At the end of 1962 the commercial banks' portfolio was valued at only 193 million piasters representing mainly assets that do not produce income, with additional 210 million of loans to the Industrial Development Corporation. The bulk of the remainder consisted of advances to the private sector.

This state of affairs suggests that the ability of commercial banks to rediscount with the National Bank is limited.

Table II sets down the available information regarding the lender-borrower relationship of the commercial banks and the National Bank. Total cash resources of the commercial banks consist of reserves held as depósits at the National Bank, deposits with the Treasury, cash at hand and, up to 1962, deposits at the National Bank under the Exchange Guarantee Fund. Commercial banks borrowing from the National Bank includes both rediscounts and direct advances. This indebtedness to the National Bank is incurred under a flexible ceiling that the National Bank changes from time to time in accordance with the requirements for accommodation in the economy. Currently, these ceilings are of three types. For commercial bills the limit on temporary advances (minimum length of from 10 to 15 days) is 1,250 million. For rice and paddy storage the ceiling is 438 million. Rediscounting ceiling on rice and paddy shipments is set at 765 million.

Table II shows clearly that the ceilings are never fully used. At the end of March 1963 for example, even though total indebtedness of commercial banks reached an all time high at 1,013 million, 1,630 million of the available credit remained unused. This does not indicate that the ceilings are out of line with the real requirements for bank credit but rather that the commercial banks consider the National Bank ceiling a secondary reserve in the absence of adequate reserve provisions in their own balance sheet.

The need for such a secondary reserve becomes apparent when the lending practices of the commercial banks are examined. These banks have an extraordinarily high ratio of loans to loanable funds, averaging nearly 90 per cent for the 13 commercial banks operating in Vietnam. This makes the commercial banks very profitable but not very liquid. Thus, the existence of a large unused credit at the National Bank provides a secondary liquidity but, given the fact that banks have to pay 4 per cent on their debt to the National Bank, resort to this source of credit is made very rarely except for rice and paddy financing. Moreover, there is in existence a sizeable total of interbank deposits reflecting the availability to the commercial banks of this source of credit, at a rate of interest lower than 4 per cent.

Under the statutes of the National Bank, commercial banks are required to maintain reserves against both time and demand deposits. The legal ratio can range between 10 and 35 per cent, with 10 per cent prevailing at present. Table II indicates, under « availability,» the aggregate of excess reserves of cash held outside the National Bank and of unused ceiling. The «availability» is an indication of the potential expansion of earnings assets of the commercial banks. It will be noted that in spite of a downward trend in excess reserves, the « availability » in the first quarter 1963 is no less than in 1959. The reserve ratio, however, that measures the proportion of reserves held at the National Bank to total deposits, has declined precipitously in the same period.

A reserve ratio of 10 per cent implies a potential tenfold expansion of credit for each unit of «extra,» i.e. above required, reserves. With a total availability of nearly 2,700 million, the banks could, in theory, support deposits of 27 billion piasters. This enormous potential expansion of money supply remains, fortunately, only a theoretical possibility. Unlike the U.S., commercial banks in Vietnam cannot affirm that «every loan creates a deposit.» On the contrary local commercial bankers

are emphatic that there is little correspondence between the expansion of earning assets and that of demand deposits. An increase in demand deposits, they allege, comes about primarily through actual deposition of cash. That this cannot be entirely true is shown by the simple fact that total cash resources of all commercial banks are only a fraction of private demand deposits (see Table II). This dichotomy of fact and opinion is a familiar one and is due to the circumstance that while an individual bank considers his cash an upper limit on the amount of debt he can create (i.e., demand deposits) checks debited against his deposits become cash resources of another bank so that the commercial banking system as a whole does support a level of private debt that is a multiple of cash resources.

The relationship between earning assets and demand deposits is, in Vietnam, much more tenuous than in the United States. Many of the loans and advances made by the commercial banks in Vietnam do not result in counterpart demand deposits but, rather, in reduction of cash. It seems that such advances and loans are made in most cases as overdraft against a line of credit, even though it must be true that some standard loans are made as well, and/or that some of the cash drawn by a borrower under an overdraft is concurrently deposited in a checking account.

The National Bank requires all commercial banks to submit periodic statements giving information about their assets and liabilities. The commercial banks are required to classify their loans and advances into a number of categories such as agricultural, commercial, industrial, and so on. It apparently has become a practice to group all advances that do not easily fit into any of the standard categories under « Overdrafts » though, in fact, many of the standard loans are also made as overdrafts. This gives rise to a number of quirks in the accounting system of the financial institutions. For example, the amount given on the asset side of the commercial banks is subtracted by them from the total of deposits, shown on the liability side as « overdraft deposits, » and added again by the central authorities in computing total demand deposits in the consolidated statement. This practice, justified in the past by the tendency of some banks to understate their deposits, is being discontinued and beginning in January 1963 the consolidated statement of the commercial banks lumps together « overdrafts » and « demand deposits. »

There is yet another practice that does introduce an element of distortion. Commercial banks carry two suspense accounts among their liabilities, certified checks and cashier's checks. The amounts of these checks are added to the total of private demand deposits in the consolidated statement. It appears, however, that the accounts credited when these checks are presented for payment, are those of public bodies, primarily government tax collecting offices, that require check certification in settlement of tax liabilities. At least 80 per cent of the certified and cashier's checks are eventually credited to these public rather than to private demand deposits and, as a consequence, the total of private demand deposits and hence, the money supply is overstated. The matter is not too serious as the total of these suspense accounts is in the neighborhood of 150 million; but, inasmuch as the variance reaches 100 million in certain months, it tends to obscure short-run changes in the composition of the money supply (see Table III).

Table I

CONSOLIDATED STATEMENT OF MONETARY AND BANKING SYSTEM

(in millions of VN piasters)

A S S E T S	1959	1960	1961	1962
Claims on the Foreign Sector	6,205	7,430	5,460	4,630
Balance with I.M.F.	126	144	161	401
Balance with I.B.R.D.	11	11	11	105
Balance with I.D.A.	—	3	3	33
Other balances	6,068	7,272	5,284	4,091
of the National Bank	(6,015)	(7,577)	(6,137)	(5,360)
of commercial banks	(438)	(229)	(142)	(186)
less:				
Balances with exchanges control a/c	(179)	(317)	(737)	(734)
Balances with foreign institutions	(—)	(—)	(3)	(332)
Liabilities of commercial banks	(88)	(99)	(137)	(271)
Liabilities of Treasury to Ex-Imp. Bank	(118)	(118)	(118)	(118)
Claims on the Public Sector	12,445	12,632	12,381	14,091
National Bank loans to the Government	10,781	10,881	11,281	12,701
Commercial banks a/c at the Treasury	944	961	365	422
Private demand deposits at the Treasury	472	437	340	461
Private demand deposits at the Post Office	—	—	—	79
Private time dep. at the Treasury	248	353	395	428
Private Credit	3,667	4,345	5,701	6,948
Loans & adv. of National Bank to commercial banks	160	150	521	275
Commercial banks earning assets	3,667	4,345	5,701	6,948
less:				
Liabilities to National Bank	160	150	521	275
Other Assets	1,514	1,600	1,521	3,474
at the National Bank	304	308	286	2,081
at commercial banks	460	542	485	643
at the Treasury	750	750	750	750
Statistical Discrepancy	161	29	72	324
Total:	23,992	26,036	25,135	29,467

Source: Compiled from unpublished data of the National Bank of Viet-Nam.

Table 1 (Continued)

CONSOLIDATED STATEMENT OF MONETARY AND BANKING SYSTEM
(In millions of VN piasters)

LIABILITIES	1959	1960	1961	1962
Money Supply	14,074	16,770	17,219	19,473
Notes in circulation	8,911	11,230	12,209	13,163
Private demand deposits	5,163	5,540	5,010	6,320
at Commercial banks	(4,691)	(5,103)	(4,670)	(5,780)
at the Treasury	(472)	(437)	(340)	(461)
at the Post Office	(-)	(-)	(-)	(79)
Time Deposits (Private)	1,154	1,275	1,342	1,320
at Commercial banks	906	923	947	892
at Treasury	248	353	395	428
Time deposits	(121)	(188)	(206)	(237)
Deposits of Savings Bank	(127)	(165)	(189)	(191)
Public Deposits	3,815	2,777	1,617	2,915
at the National Bank	2,597	1,665	808	1,817
Treasury deposits	(1,486)	(748)	(113)	(243)
Other (public)	(94)	(148)	(172)	(793)
Treasury Cash	(1,017)	(769)	(523)	(781)
at commercial banks	1,218	1,112	809	1,098
Counterpart accounts	1,836	1,632	1,218	1,757
at the National Bank	1,742	1,538	1,104	1,336
at commercial banks	94	94	114	—
5/7 Surtax a/c (from Foreign Aid-financed imports)	—	—	—	421
Capital accounts	1,995	2,439	2,794	2,644
National Bank	1,612	1,909	2,168	1,916
Commercial banks	383	530	626	728
Other liabilities	1,118	1,142	945	1,358
at the National Bank	468	468	442	726
at commercial banks	572	596	425	554
at the Treasury	78	78	78	78
Total:	23,992	26,036	25,135	29,467

Source: Compiled from unpublished data of the National Bank of Viet-Nam.

Table II

NATIONAL BANK AND COMMERCIAL BANKS: DEBTOR - CREDITOR RELATIONSHIPS

(Amounts in VNS millions)

	Commercial Banks Total Cash	Commercial Banks borrowing from NBVN	Ceiling (amount) on borrowing	Difference between ceiling and borrowing	Excess reserves of Commercial Banks	«Availability»	Reserve Ratio	Minimum Reserve Ratio
1959			(a)	(a)		(a)		
Annual average	2,897	158	950	792	494	2,804	0.23	0.15
1960								
Annual average	3,257	163	950	787	420	2,978	0.21	0.15
1961								
Annual average	2,091	248	1,019	771	245	1,911	0.19	0.15
1962								
January	1,990	764	1,760	996	269	1,998	0.19	0.15
February	1,886	939	1,963	1,024	258	1,898	0.19	0.15
March	1,875	604	2,008	1,404	465	2,603	0.17	0.10
April	1,824	718	2,448	1,730	235	2,845	0.13	0.10
May	1,518	321	2,568	2,247	202	3,088	0.13	0.10
June	1,491	449	2,408	1,959	212	2,767	0.13	0.10
July	1,381	594	2,408	1,814	185	2,523	0.13	0.10
August	1,361	650	2,393	1,743	220	2,446	0.13	0.10
September	1,409	523	2,393	1,870	213	2,603	0.13	0.10
October	1,528	424	2,423	1,999	208	2,837	0.13	0.10
November	1,763	281	2,423	2,142	284	3,185	0.14	0.10
December	1,565	275	2,423	2,148	234	2,975	0.13	0.10
Annual average	1,632	545	2,302	1,757	249	2,648	0.14	0.11
1963								
January	1,680	535	2,428	1,893	223	2,811	0.13	0.10
February	1,858	725	2,628	1,903	288	2,957	0.14	0.10
March	1,888	1,013	2,643	1,630	263	2,685	0.13	0.10

(a) Adjusted.

Table II (continued)

NOTE:

Commercial Banks total cash:

Reserves at National Bank,
Deposits with Treasury,
Cash at hand,
Exchange guarantee fund (up to 1962).

Commercial Banks borrowing from National Bank:

National Bank Monthly Statement.

Ceiling on borrowing:

Fixed by National Bank.

Excess Reserves of Commercial Banks:

Commercial Banks Statement.

Availability:

Excess reserves,
Unused ceiling on borrowing,
Cash deposits with Treasury,
Cash at hand,
Exchange guarantee fund (up to 1962).

Reserve ratio: $\frac{\text{Total reserves (required and excess).}}{\text{Total deposits.}}$

Table III

COMMERCIAL BANKS SUSPENSE ACCOUNTS
(in VN$ millions)

	Certified checks	Cashier's checks	Total	Change
1962				
January	78	2	80	
February	91	3	94	+ 14
March	65	5	70	— 24
April	92	4	96	+ 26
May	110	4	114	+ 18
June	121	3	124	+ 10
July	77	6	83	— 41
August	111	2	113	+ 30
September	108	4	112	— 1
October	114	4	116	+ 4
November	91	1	92	— 24
December	171	2	173	+ 81
1963				
January	73	1	74	— 99
February	98	1	99	+ 25

Source: Bank Examination Department of the National Bank of Vietnam.

THE MONEY SUPPLY IN VIETNAM, 1959 - 1963

(EDMUND L. AUCHTER)

INTRODUCTION

The money supply of Viet-Nam, defined as private demand deposit at commercial banks and the Treasury plus all currency in the hands of the public, showed a steady increase since 1959. The correlation of this increase with time can be seen by examining the yearly average of month-end money supply figures:

Year:	1959	1960	1961	1962	1963
VN$ (millions):	13,134	15,860	17,555	18,466	21,666
% Increase:		21	11	5	17

During this time also there were population increases as well as increases in the portion of Vietnamese economy monetized. Both of these factors would call forth increases in the money supply, but it is difficult to estimate their magnitude. The increase in the money supply between 1959 and 1963 was 65 per cent, a yearly increase of 11 per cent. Estimates of population increase range from 3 to 4 per cent, and national product may have increased at a similar or slightly higher rate over the same period.

Throughout the years, 1959 to 1963, and despite the increase in the money supply, there was a constant proportion between its two components, currency in circulation remaining slightly less than 7 10 of the total. The variance of this proportion as measured at the end of each month for a period of five years was not appreciably greater than the seasonal variance of the same statistics observable over the year. This is shown below:

	1959	1960	1961	1962	1963	Overall
Yearly average of the rate of currency to money supply at the end of the month	65.4	65.3	69.6	69.7	69.9	68.0
Variance	5.49	1.19	0.70	0.71	0.73	1.76

It should be noted, however, that in the last few months of 1963 there was a significant withdrawal of deposits from the banking system for non-recurrent reasons that included a threat of commercial bank nationalization and a change of regime.

BANK CREDIT EXPANSION

The constant ratio of deposits to currency suggests that the expansionary potential of the banking system has not been fully realized. Given the fact that cash overdrafts are the normal bank loan procedure in Viet-Nam, it could be expected that almost every new loan would be an immediate drain upon commercial bank reserves. Since the multiple expansion effects of an increase in bank loans depend upon the newly created deposit money remaining in the banking system, it seems that the constant ratio of deposits to currency indicates an underlying structural restraint upon the credit creating potential of the banking system in Viet-Nam.

The credit creating potential of a banking system is the sum of a geometric series, the common ratio of which is that portion of the original quantity of excess reserves which are available as further excess reserves after the original reserves are loaned in the form of cash. Thus the potential at any given time may be represented as the sum of the series:

$$R\ (1 + (1-a)\ b + [(1-a)\ b]^2 + \ldots + [(1-a)b]^n)$$

where a represents the reserve ratio maintained by the banking system and b represents the proportion of bank cash loans that return to the system. This proportion b is therefore a structural parameter and is most easily estimated from its expected value over several years. Available data suggest a value for a of .18 and a value for b of .3.

CURRENCY EXPANSION

Currency in circulation is defined as all money other than deposit money in private hands. Any transfer of money to private hands other than through expansion of demand deposits results in currency expansion.

The geometric progression used to represent the money creating potential of a given quantity of excess reserves can also be used to represent the expansionary potential through demand deposits resulting from a given increase in currency. This would be written as follows:

$$-C\ (1 + b(1-a) + [b\ (1-a)]^2 + \ldots + [b\ (1-a)]^n)$$

Here - C represents the initial increase in currency in circulation, a represents the reserve ratio and b the ratio of demand deposits to the total money supply.

It will be seen that this expression is identical with the one expressing the expansionary potential of a given quantity of excess reserves. In both cases the value of the expression within the parenthesis over the values of a and b found in Viet-Nam varies between 1.3 and 1.4.

It is conceivable that an increase of currency through increased government financing expended in the rural areas might not result in any sizeable expansion of demand deposits except with a considerable lag. This lag could result from several causes, the primary one being the slow reaction time of the deposit using sector» to increases in effective demand arising from the «currency sector.» The lag could also exist because of the slow reaction time of the business sector even when the goverament outlays are primarily spent in the urban areas. In this case the lag in the realization of the expansionary potential can be said to be due principally to the lack of demand for loans.

It should be noted that the analysis of the expansionary potential of bank credit has so far ignored the role of demand. The potential credit expansion permitted by supply conditions will not be realized if the demand for loans falls short of potential supply.

That such a shortfall of demand in relation to supply has existed over the period considered is indicated by the persistence of large excess reserves held by the commercial banks. These reserves cannot be explained by the desire of the banks to maintain secondary liquidity. That objective is amply provided for by the existence of a central bank line of credit, which with the possible exception of a special component line of credit for the financing of the rice trade, has never been used to the full. Hence excess reserves indicate that business needs for credit totaled less than the banks' ability to supply these

needs.

All this remains true even though there has been, since 1959, a growing proportion of loans to total assets and a worsening quality of the collateral against these loans. As Table I shows, the reserve ratio has steadily declined.

In Table I, Free Reserves» are defined as excess reserves of commercial banks, net of their borrowing from the central Bank. As suggested above, commercial banks borrow primarily to finance the rice trade. There is a special arrangement between the commercial banks and the Central Bank, by which the latter extends the banks a special line of credit against liens upon the stocks of the principal rice dealers. This special line of credit, which has existed since January 1962, permits the banks to finance the large-scale wholesale trade in rice with a minimum effect upon their other business.

TIME SERIES ANALYSIS

The simple linear correlation coefficient between commercial bank borrowing from the central bank and the money supply is (r) .632 and that between the money supply and bank loans to the private sector is (r) .692. These secular correlations are due to the parallel secular increase of all these factors over the period 1959-1963, and incorporate the major shift in institutional conditions represented by the rice paper loans.

When a multiple regression of Money Supply upon Bank Loans, Bank Borrowing and Treasury Borrowing from the National Bank was run, Bank Borrowing had a negative coefficient. These coefficients were derived from the following equation:

Money Supply (MS) = a [Loans and Advances to the Private Sector (LA)] + b [Commercial Bank Borrowing (CBB)] + c [Temporary Advances to the Treasury (TAT)] and the following parameter values identified: MS = 1.75LA − 1.75CBB + 3.13TAT + 6201.

The standard error of estimate was 2399 (all figures are in millions of piasters) and the coefficient of multiple correlation was: R^2 = .79.

No attempt was made to make this equation a properly specified and sophisticated model of the economy. As a result there are a number of qualifications that must be placed upon any interpretation of these data. First, CBB and LA are not independent. Secondly, buried within this equation is at least one identity: DD = LA + Cash Deposits, so that the parameter estimates given by the equation are biased by the presence of this latent identity. In particular, the estimated value of the LA coefficient a obtained from the regression is 1.75 compared with the a priori value of 1.3.

The negative value of b could be due to a number of causes, but it must be remembered that here the bias lent by its correlation with a will not permit us to consider it separately from the total equation.

It would be wrong to infer from the equation that commercial bank borrowing detracted from, rather than contributed to, the Money Supply. What can be inferred is that the periods of increased bank borrowing coincided with either periods of increased Loans and Advances or periods of decreased circulating currency. Here again, the latent identity muddies the analysis.

The negative value of the CBB parameter also contributes to the fit of the equation to the TAT plane. Because of the sharp increase in TAT midway through the period, the error of estimate is minimized by the

introduction of a negative, more slowly increasing factor, into the equation. It can be seen, therefore, that no great reliance can be placed upon the negative value of the parameter of CBB in the multiple equations. In fact if CBB and MS alone are considered, the regression equation is MS 7.47 CBB 14693 with a standard error of estimate of 2097 and r^2 equal to .40.

Another multiple regression was run, to explore the relationships between Currency in Circulation (CC) and some of its principal functions. The regression equation obtained was:

Currency in Circulation (CC) = 868 + .38 Bank Loans (BL) + 18.76 Deposits to Counterpart (DC) — 1.10 Withdrawals from Counterpart (WC) — .58 TAT.

The standard error of estimate was 1739 and R^2 = .45. This regression is theoretically more valid than the previous one and the parameter estimates obtained from it are less subject to bias. This is so because, a priori, the correlations of the estimating variables are less. The actual correlation coefficients are:

Variables	r
Money Supply/Temporary Advances to Treasury	.884
Money Supply Commercial Bank Borrowing	.632**
Money Supply/Bank Loans	.986
BankLoans/Commercial Bank Borrowing	.962**
Bank Loans Temporary Advances to Treasury	.873**
Bank Borrowing/Advances to Treasury	.674
Counterpart Deposits/Advances to Treasury	.617**
Counterpart Deposits/Bank Loans	.566
Counterpart Deposits Withdrawals	—.349
Counterpart Withdrawals/Advances to Treasury	.411

** Sometimes negative when function of multiple regression equation.

A number of hypotheses were investigated, and mostly discarded. An early attempt to remove the seasonal influence from the data was abandoned because it became obvious that without seasonal fluctuations the rise in all factors would override all data and yield only a set of high correlations with no clue to priority.

Conversely, attempts to investigate lags were discarded because the seasonal influences overrode the correlations present.

Only in one case was a lag investigation retained, mainly because of its negative aspect. Bank Loans were regressed upon customs withdrawals in the same month, one month and two months later. The values of r obtained were .31, .29, and .31 respectively. These values, while greater than those likely to arise if there were no real correlation whatever between the items concerned are not statistically significant.

Estimates of the total money supply and its components based upon the preceding analysis have a very wide margin of error.

Some conditional statements are possible, however. For example, in the absence of increased bank borrowing, we are justified in saying that our a priori hypothesis that any given injection of purchasing power would permit a further expansion through the banking system of 30% to 40% is not invalidated by correlation analysis of the available time series.

MONEY SUPPLY FACTORS SERIES

Among the data regularly prepared for publication in the [restricted distribution] supplement to the USOM monthly statistical bulletin, is a series (labeled **Table 3** in the supplement): **Money Supply**. This series further presents two sub-groups: **Factors in Creation of Money Supply**, **Factors in Neutralization of Money Supply**. These factors are chosen to form a linear identity of the Money Supply.

> Money Supply = International Assets + Financing of Government + Financing of Business — Quasi-Money — Government Deposits — U.S. Aid Deposits — Other .

The factor components and their derivation are given in the **Annual Statistical Bulletin: Number 5 (1961)**.

The usefulness of this series is primarily as a historical record of the shifts among the factors and their relation to the money supply. By reducing the components to a ratio between the individual factors and the money supply, a better summary picture can be obtained of the movement. This was done in Table II.

The table shows a striking decline in importance of International Assets. From a mean value of .460 in 1959, it shows a constant decline to .264 in 1963. The summary ratios given in the table suggest that Financing of Government is of steadily decreasing importance as a factor affecting money supply. But this is misleading insmuch as it is due to the fact that over the period considered the bulk of this item was invariant with time. When, as in Table III, increments only are considered, it is seen that over the five year period covered, financing of government rose VN$ 5,630,000,000. Over the same period the Money Supply increased VN$ 8,298,000,000, or 1.47 times this amount.

Also noteworthy is the fact that the increase in quasi-money kept pace with the increase in the money supply. This increase in quasi-money exerted a strong stabilizing influence on the price level in the face of the money supply's expansion during the period. But it must be noted that the component deposits of this series are extremely liquid.

A qualitative study of the data included in the Statistical Bulletin was undertaken to determine whether one factor or more could be found to be dominant. The model implicit in the series as published by USOM requires that the sum of increments to International Assets, Financing of Business, and Financing of Government exceed the sum of increments to Quasi-Money, U.S. Aid Accounts, Government Deposits and others by the amount of the addition to the money supply. Data were examined to see how often the signs of the factor increments conformed to their theoretical value (i.e. those derived from the above identity model of the economy). The examination was made only with regard to the sign of the money supply increment one and two months later. The following results were obtained:

	International Assets	Financing of Government	Financing of Business	Quasi Money	U.S. Aid Accounts	Govt. Deposits	Others
Proportion of «wrong» signs to MS, current month·	20/59	16/59	22/59	33/59	31/59	26/59	30/59
Proportion of «wrong» signs to MS, lagged one month:	28/59	26/59	26/59	28/59	23/59	23/59	28/59
Proportion of «wrong» signs to MS, lagged two months:	28/59	16/59	25/59	29/59	29/59	28/59	32/59

Incremental Government financing was the best indicator of the change in the money supply, the same month, and two months later. But it was not a consistent enough indicator to be useful.

SUMMARY

The increase in the money supply due to the private sector that occurred over the four year period 1959 — 1963 was less than the potential of commercial bank credit expansion would warrant. The chief limiting factor was the lack of demand for loans, due probably to the underdeveloped state of the economy and the unstable political conditions.

The statistical analysis was consistent with the **a priori** contention that any injection of purchasing power into the economy will lead to a final increase in purchasing power of 1.3 to 1.4 times the original injection.

Co-variances were calculated for the monthly values of the following variables for the period January 1959 through September 1963:

Variables	r
Money Supply/Bank Loans	.986
Money Supply/Commercial Bank Borrowing . .	.632**
Money Supply/Temporary Advances to Treasury	.884
Bank Loans/Commercial Bank Borrowing	.692**
Bank Loans/Temporary Advances to Treasury	.873
Bank Borrowing/Advances to Treasury	.674
Currency/Bank Loans	.901
Currency/Counterpart Deposits	.44
Currency/Counterpart Withdrawals	.245**
Currency/Advances to Treasury	.885**
Counterpart Deposits/Advances to Treasury . .	.617**
Counterpart Deposits/Bank Loans	.566
Counterpart Deposits/Withdrawals	—.349

Counterpart Withdrawals/Advances to Treasury	.411
Bank Loans/Customs Withdrawals	.31
Bank Loans/Customs Withdrawals (one month lag)	.29
Bank Loans/Customs Withdrawals (two month lag)	.31
Bank Loans/Bank Cash	—.678

Money Supply/Bank Loans; Commercial Bank Borrowing; Temporary Advances to Treasury	.94[R2]
Currency/Bank Loans; Counterpart Deposits; Counterpart Withdrawals; Temporary Advances to Treasury	.45

** Negative when function of multiple regression equation.

Table I

	(1) Commercial Banks' Total Cash	(2) Commercial Banks' Borrowing from NBVN	(3) Ceiling Amount on Borrowing	(4) Difference between Ceiling and Borrowing	(5) Excess Reserves of Commercial Banks	(6) Free Reserves or Excess Reserves less CBB	(7) Reserve Ratio
1959			(in VN$ millions)				
Jan	2,284	164	800	636	645	481	0.27
Feb	2,964	150	800	650	631	481	0.26
Mar	2,796	158	800	642	477	319	0.23
Apr	2,612	176	800	624	310	134	0.20
May	2,704	150	800	650	425	275	0.22
Jun	2,836	167	800	633	488	321	0.23
Jul	2,760	150	800	650	511	361	0.23
Aug	2,908	174	800	626	499	325	0.23
Sep	2,006	150	800	650	545	395	0.24
Oct	3,203	150	800	650	493	343	0.23
Nov	3,383	150	800	650	485	335	0.23
Dec	3,314	159	800	641	426	267	0.22
Aver.	2,897	158	800	642	494	336	0.23

Table 1 (Continued)

	(1) Commercial Banks' Total Cash	(2) Commercial Banks' Borrowing from NBVN	(3) Ceiling Amount on Borrowing	(4) Difference between Ceiling and Borrowing	(5) Excess Reserves of Commercial Banks	(6) Free Reserves or Excess Reserves less CBB	(7) Reserve Ratio
			(in VN$ millions)				
1960							
Jan	3,304	193	800	607	379	186	0.21
Feb	3,648	150	800	650	442	292	0.21
Mar	3,506	169	800	631	432	263	0.21
Apr	2,965	206	800	594	375	169	0.20
May	3,010	162	800	638	428	266	0.21
Jun	2,794	164	800	636	369	205	0.20
Jul	3,142	161	800	639	493	332	0.22
Aug	3,107	150	800	650	453	303	0.21
Sep	3,394	150	800	650	440	290	0.21
Oct	3,378	150	800	650	463	313	0.21
Nov	3,552	150	800	650	340	190	0.20
Dec	3,288	150	800	650	421	271	0.21
Aver.	3,257	163	800	637	420	257	0.21
1961							
Jan	2,900	150	800	650	339	189	0.20
Feb	2,449	203	800	597	307	104	0.19
Mar	2,138	323	800	477	274	(49)	0.19
Apr	1,988	298	800	502	205	(93)	0.18
May	2,057	278	800	522	305	27	0.19
Jun	2,080	174	800	626	288	114	0.19
Jul	2,226	221	800	579	299	78	0.19
Aug	2,113	242	800	558	270	28	0.19
Sep	2,139	197	800	603	260	63	0.19
Oct	2,009	181	800	619	257	76	0.19
Nov	2,086	183	800	617	224	41	0.18
Dec	1,905	522	800	278	177	(345)	0.18
Aver.	2,091	248	800	552	245	(3)	0.19

Table 1 (Continued)

	(1) Commercial Banks' Total Cash	(2) Commercial Banks' Borrowing from NBVN	(3) Ceiling Amount on Borrowing	(4) Difference between Ceiling and Borrowing	(5) Excess Reserves of Commercial Banks	(6) Free Reserves or Excess Reserves less CBB	(7) Reserve Ratio
			(in VN$ millions)				
1962							
Jan	1,990	764	1,555	791	269	(495)	0.19
Feb	1,886	939	1,758	891	258	(681)	0.19
Mar	1,875	604	1,803	1,199	465	(139)	0.17
Apr	1,824	718	2,243	1,525	235	(483)	0.13
May	1,518	321	2,363	2,042	202	(119)	0.13
Jun	1,491	449	2,203	1,754	212	(237)	0.13
Jul	1,381	594	2,203	1,609	185	(409)	0.13
Aug	1,361	650	2,188	1,538	220	(430)	0.13
Sep	1,409	523	2,188	1,665	213	(310)	0.13
Oct	1,528	424	2,218	1,794	208	(216)	0.13
Nov	1,763	281	2,218	1,937	284	3	0.14
Dec	1,565	275	2,238	1,963	234	(41)	0.13
Aver.	1,632	545	2,098	1,559	249	(296)	0.14
1963							
Jan	1,680	535	2,238	1,703	223	(312)	0.13
Feb	1,858	725	2,438	1,713	288	(437)	0.14
Mar	1,888	1,013	2,453	1,440	263	(750)	0.13
Apr	1,789	488	2,453	1,965	239	(249)	0.13
May	1,907	766	2,453	1,687	256	(510)	0.13
Jun	2,048	727	2,453	1,726	239	(488)	0.13
Jul	1,881	190	2,453	2,263	250	60	0.13
Aug	1,751	321	2,453	2,132	270	(51)	0.13
Sep	1,854	260	2,453	2,193	261	1	0.13
Oct	1,903	518	2,453	1,935	257	(261)	0.13
Nov	2,048	311	2,453	2,142	286	(25)	0.13
Dec	2,620	324	2,453	2,129	297	(27)	0.13
Aver.	1,936	515	2,434	1,919	218	(254)	0.13

(1) Commercial Banks' Total Cash: Total at the end of the month of all Commercial Bank Deposits with National Bank, Interbank Deposits and Vault Cash.

(2) Commercial Banks' Borrowing from NBVN: Total outstanding at end of month.

(3) Ceiling Amount on Borrowing: Ceiling on total outstanding debt of Banking System with NBVN.

(5) Excess Reserves of Commercial Banks: Amount by which total of bank deposits with NBVN exceed minimum legal reserves required against their demand deposits.

(6) Free Reserves: Excess Reserves (5) less Commercial Bank Borrowing (2).

(7) Reserve Ratio: Actual Ratio of Commercial Bank Deposits with NBVN to Demand Deposits at these banks.

Table II

Factor MS	International Assets	Financing of Government	Financing of Business	Quasi Money	U.S. AID Deposits	Government Deposits	Other
1959							
Jan	.454	1.018	.260	.102	.190	.273	.167
Feb	.437	1.010	.250	.104	.174	.261	.168
Mar	.427	1.004	.267	.111	.203	.228	.155
Apr	.424	.995	.265	.089	.201	.234	.160
May	.431	1.007	.259	.091	.165	.294	.146
Jun	.417	1.001	.263	.087	.097	.375	.122
Jul	.422	.988	.262	.080	.133	.322	.137
Aug	.424	.959	.270	.078	.088	.342	.143
Sep	.432	.951	.261	.070	.116	.306	.152
Oct	.434	.941	.253	.063	.125	.290	.151
Nov	.437	.929	.249	.063	.136	.283	.133
Dec	.441	.915	.246	.058	.127	.277	.139
Mean	.460	.975	.259	.082	.145	.291	.147

Table II (Continued)

Factor MS	International Assets	Financing of Government	Financing of Business	Quasi Money	U.S. AID Deposits	Government Deposits	Other
1960							
Jan	.421	.856	.249	.082	.104	.210	.130
Feb	.431	.856	.237	.082	.114	.183	.144
Mar	.442	.867	.248	.076	.122	.220	.139
Apr	.447	.856	.261	.074	.138	.220	.133
May	.451	.847	.268	.073	.105	.251	.138
Jun	.460	.844	.261	.070	.109	.245	.140
Jul	.461	.834	.262	.072	.122	.220	.142
Aug	.449	.812	.262	.071	.121	.194	.135
Sep	.459	.810	.258	.079	.104	.208	.135
Oct	.461	.810	.245	.082	.098	.202	.133
Nov	.462	.816	.240	.086	.110	.192	.129
Dec	.460	.799	.250	.083	.097	.176	.153
Mean	.451	.833	.253	.078	.112	.210	.138
1961							
Jan	.438	.749	.275	.079	.086	.142	.155
Feb	.409	.716	.296	.080	.086	.126	.146
Mar	.398	.714	.324	.080	.071	.124	.160
Apr	.403	.718	.307	.079	.078	.131	.140
May	.410	.734	.296	.082	.082	.135	.140
Jun	.406	.752	.295	.084	.085	.131	.153
Jul	.407	.757	.303	.093	.086	.132	.156
Aug	.399	.765	.310	.097	.078	.128	.170
Sep	.394	.764	.305	.097	.077	.116	.173
Oct	.384	.760	.300	.092	.103	.072	.176
Nov	.373	.767	.302	.094	.064	.112	.172
Dec	.356	.762	.320	.092	.067	.108	.172
Mean	.398	.746	.303	.087	.079	.122	.159

Table II (Continued)

Factor MS	International Assets	Financing of Government	Financing of Business	Quasi Money	U.S. AID Deposits	Government Deposits	Other
1962							
Jan	.331	.748	.331	.084	.058	.109	.161
Feb	.321	.753	.226	.083	.058	.128	.131
Mar	.317	.752	.342	.083	.054	.148	.126
Apr	.305	.766	.345	.082	.077	.145	.112
May	.303	.764	.332	.083	.076	.130	.109
Jun	.299	.762	.331	.081	.068	.130	.111
Jul	.295	.767	.338	.081	.091	.113	.114
Aug	.290	.777	.339	.079	[illegible]	.107	.129
Sep	.287	.778	.334	.078	.076	.113	.132
Oct	.281	.782	.335	.079	.052	.114	.153
Nov	.282	.792	.335	.078	.062	.125	.144
Dec	.274	.766	.350	.080	.067	.121	.126
Mean	.299	.767	.337	.081	.069	.124	.129
1963							
Jan	.262	.746	.348	.076	.052	.114	.113
Feb	.266	.745	.345	.076	.056	.104	.105
Mar	.267	.737	.356	.082	.081	.104	.093
Apr	.262	.742	.344	.089	.062	.114	.082
May	.259	.735	.353	.096	.081	.092	.077
Jun	.261	.749	.354	.099	.088	.093	.084
Jul	.262	.759	.336	.101	.087	.085	.083
Aug	.266	.765	.338	.103	.097	.081	.088
Sep	.268	.779	.340	.097	.092	.118	.091
Oct	.273	.789	.341	.116	.107	.092	.087
Nov	.263	.811	.330	.118	.116	.104	.067
Dec	.276	.822	.330	.128	.105	.111	.084
Mean	.266	.765	.343	.099	.085	.103	.088

Table III

INCREMENTS TO FACTORS IN MONEY SUPPLY

(a) FACTORS INCREASING MONEY SUPPLY

	Incremental Money Supply MS	Intern. Assets	Δ Intern. Assets / Δ MS	Financing of Gov't	Δ Fin. of Gov't / Δ MS	Financing of Business	Δ Fin. of Business / Δ MS
1959 Jan	509	(348)	(.684)	179	.352	172	.338
Feb	267	(88)	(.329)	172	.644	73	.273
Mar	144	(64)	(.444)	60	.417	117	.812
Apr	57	(19)	(.333)	(51)	(.895)	(1)	(.017)
May	49	117	2.388	198	4.041	(65)	(1.326)
Jun	80	(148)	(1.850)	2	.025	76	.950
Jul	57	33	1.631	(108)	(1.894)	(3)	(.052)
Aug	418	196	.469	23	.055	214	.512
Sep	220	207	.941	108	.490	(64)	(.291)
Oct	287	149	.519	141	491	(25)	(.087)
Nov	317	183	.577	120	.378	11	.035
Dec	296	117	.598	82	.277	28	.094
TOTAL	2,701	455		977		533	
1960 Jan	900	98	.109	(78)	(.087)	279	.310
Feb	297	273	.919	253	.852	(112)	(377)
Mar	(118)	131	(1.110)	62	(.525)	138	(1.169)
Apr	(246)	(36)	.146	(383)	1.556	141	(.573)
May	63	92	1.460	(75)	(1.190)	126	2.000
Jun	64	157	2.453	3	.047	(101)	(1.578)
Jul	188	103	.547	9	.048	67	.356
Aug	686	122	.177	204	.301	176	.260
Sep	88	210	2.386	43	.488	(42)	(.477)
Oct	160	102	.637	132	.825	(169)	(1.056)
Nov	84	58	.690	165	1.964	(59)	(.702)
Dec	167	45	.269	(148)	(.886)	214	1.281
TOTAL	3,061	1,355		187		658	

Table III (Continued)

INCREMENTS TO FACTORS IN MONEY SUPPLY
(a) FACTORS INCREASING MONEY SUPPLY

	Incremental Money Supply MS	Intern Assets	Δ Intern. Assets / Δ MS	Financing of Gov't	Δ Fin. of Gov't / Δ MS	Financing of Business	Δ Fin. of Business / Δ MS
1961 Jan	589	(120)	(.203)	(392)	(.665)	576	.977
Feb	987	(101)	(.102)	135	.136	646	.654
Mar	(140)	(246)	1.757	(140)	1.000	479	(3.421)
Apr	(87)	58	(.666)	3	(.034)	(332)	3.816
May	(166)	56	(.337)	178	(1.072)	(262)	1.578
Jun	(226)	(154)	.681	148	(.654)	(71)	.314
Jul	(375)	(149)	(.397)	(194)	.517	10	(.026)
Aug	(110)	(179)	1.627	50	(.454)	93	(.845)
Sep	(132)	(134)	1.015	(111)	.840	(113)	856
Oct	74	(157)	(2.121)	(17)	(.229)	(69)	(.932)
Nov	(84)	(206)	2.452	62	(.738)	(1)	.011
Dec	141	(230)	(1.631)	27	.191	359	2.546
TOTAL	471	(1.562)		(251)		1.315	
1962 Jan	1.017	(114)	(.112)	523	.514	530	.521
Feb	12	(164)	(13.666)	96	8.000	(100)	(8.330)
Mar	(128)	(112)	.875	(122)	.953	260	(2.031)
Apr	224	(149)	(.665)	418	1.866	122	.544
May	(100)	(71)	.710	(111)	1.110	(274)	2.740
Jun	140	(40)	(.285)	44	.314	47	.335
Jul	(181)	(126)	.696	(15)	.032	66	(.364)
Aug	127	(49)	(.385)	283	2.228	61	.480
Sep	251	22	.087	215	.856	(2)	(.007)
Oct	249	(39)	(.156)	266	1.068	95	.381
Nov	3	12	4.000	195	65.000	4	1.333
Dec	415	25	.060	(161)	(.387)	433	1.043
TOTAL	2.029	(725)		1.631		1.242	

Table III (Continued)

INCREMENTS TO FACTORS IN MONEY SUPPLY

(a) FACTORS INCREASING MONEY SUPPLY

	Incremental Money Supply MS	Intern. Assets	$\frac{\Delta \text{Intern. Assets}}{\Delta \text{ MS}}$	Financing of Gov't	$\frac{\Delta \text{Fin. of Gov't}}{\Delta \text{ MS}}$	Financing of Business	$\frac{\Delta \text{ Fin of Business}}{\Delta \text{ MS}}$
1963 Jan	1.616	135	.083	806	.498	506	.313
Feb	405	200	.493	294	.725	83	.204
Mar	264	74	.280	20	.075	340	1.287
Apr	(83)	(126)	1.518	21	(.253)	(286)	3.445
May	243	1	.004	42	.172	263	1.082
Jun	232	112	.482	477	2.056	117	.504
Jul	(120)	(15)	.125	128	(1.066)	(448)	3.733
Aug	301	167	.554	376	1.249	152	.504
Sep	134	93	.694	406	3.029	87	.649
Oct	(456)	(30)	.065	(129)	.282	(127)	.278
Nov	201	(152)	(.756)	645	3.208	(187)	(.930)
TOTAL	2.737	459		3,086		500	
Five Year Total Change	8.298	(18)		5.630		4.248	

Table III

INCREMENTS TO FACTORS IN MONEY SUPPLY
(b) FACTORS DECREASING MONEY SUPPLY

	Quasi-Money	Δ Quasi-Money / Δ MS	US Aid Accounts	Δ US Aid Accounts / Δ MS	Gov't Deposits	Δ Gov't Deposits / Δ MS	Other	Δ Other / Δ MS
1959 Jan	168	.330	(206)	(.405)	(541)	(1.063)	73	.141
Feb	51	.191	(140)	(.524)	(78)	(.292)	57	.213
Mar	94	.653	390	2.708	(383)	(2.659)	(132)	(.916)
Apr	(264)	(4.631)	(21)	(.368)	88	1.543	69	1.210
May	21	.428	(443)	(9.041)	783	15.979	(160)	(3.265)
Jun	(40)	(.500)	(861)	(10.762)	1.062	13.270	(311)	(3.887)
Jul	(90)	(1.578)	475	8.333	(665)	(11.666)	205	3.596
Aug	17	.041	(539)	(1.289)	403	.964	134	.320
Sep	(97)	(.441)	389	1.768	(417)	(1.899)	156	.709
Oct	(80)	(.279)	158	.550	(129)	(.449)	29	.101
Nov	25	.078	188	.593	(11)	(.035)	(205)	(.647)
Dec	(50)	(.168)	(80)	(.270)	0	--	121	.409
TOTAL	(245)		(690)		112		36	
1960 Jan	424	.471	(235)	(.261)	(783)	(.870)	(7)	(.008)
Feb	17	.057	188	.632	(348)	(1.171)	260	.875
Mar	(103)	.872	102	(.864)	549	(4.652)	(99)	.839
Apr	(54)	.219	209	(.849)	(63)	.256	(124)	.504
May	(10)	(.158)	(482)	(7.650)	491	7.793	81	1.286
Jun	(42)	(.656)	68	1.062	(65)	(1.015)	34	.531
Jul	56	.297	222	1.180	(346)	(1.840)	59	.314
Aug	25	.036	68	.099	(269)	(.392)	(8)	(.012)
Sep	42	.477	(267)	(3.034)	240	2.727	8	.091
Oct	54	.337	(87)	(.543)	(58)	(.362)	(4)	(.025)
Nov	81	.964	217	2.583	(163)	1.940	(55)	(.655)
Dec	(45)	(.269)	(202)	(1.209)	(223)	(1.335)	414	2.479
TOTAL	447		(199)		(1.039)		559	

Table III (Continued)

INCREMENTS TO FACTORS IN MONEY SUPPLY
(b) FACTORS DECREASING MONEY SUPPLY

	Quasi-Money	Δ Quasi-Money / Δ MS	US Aid Accounts	Δ US Aid Accounts / Δ MS	Gov't Deposits	Δ Gov't Deposits / Δ MS	Other	Δ Other / Δ MS
1961 Jan	(17)	(.028)	(146)	(.247)	(496)	(.842)	134	.227
Feb	107	.108	(250)	(.253)	(152)	(.154)	(12)	(.012)
Mar	(8)	.057	66	(.471)	(54)	.385)	229	(1.636)
Apr	(29)	.333	109	(1.252)	113	(1.298)	377	4.333
May	33	(.198)	65	(.391)	57	(.343)	(17)	.102
Jun	21	(.092)	34	(.150)	(98)	.433	192	(849)
Jul	117	(.312)	(28)	.074	(37)	.098	(10)	.026
Aug	65	(.590)	(41)	1.281	(83)	.754	234	(2.127)
Sep	(13)	.098	(4)	.106	(228)	1.727	29	(.220)
Oct	(77)	(1.040)	433	5.851	(741)	(10.013)	68	.919
Nov	20	(.238)	(669)	7.964	674	(8.023)	(86)	1.024
Dec	(11)	(.078)	61	.432	(51)	(.361)	16	.113
TOTAL	208		(480)		(1.096)		400	
1962 Jan	(68)	(.066)	(99)	(.097)	119	.117	(30)	(.029)
Feb	(10)	(.833)	7	.583	354	29.500	(531)	(44.250)
Mar	(11)	.085	(76)	.593	353	2.757	(112)	.875
Apr	8	.035	421	1.879	(34)	(.151)	(228)	(1.018)
May	(3)	.030	(17)	.170	(275)	2.750	(61)	.610
Jun	(17)	(.121)	(133)	(.950)	18	.128	43	.307
Jul	(14)	.077	406	(2.243)	(330)	1.823	44	(.243)
Aug	(22)	(.173)	6	.047	(100)	(.787)	284	2.236
Sep	1	.003	(250)	(.996)	145	.577	88	.350
Oct	34	.136	(436)	(1.751)	50	.200	425	1.707
Nov	(16)	(5.333)	193	64.333	194	64.666	(163)	(54.333)
Dec	75	.180	116	.279	(16)	(.038)	(293)	(.706)
TOTAL	(43)		138		478		(534)	

Table III (Continued)

INCREMENTS TO FACTORS IN MONEY SUPPLY
(b) FACTORS DECREASING MONEY SUPPLY

	Quasi-Money	Δ Quasi-Money / Δ MS	US Aid Accounts	Δ US Aid Accounts / Δ MS	Gov't Deposits	Δ Gov't Deposits / Δ MS	Other	Δ Other / Δ MS
1963 Jan	51	.031	(199)	(.123)	41	.025	(62)	(.038)
Feb	34	.083	101	.249	168	.414	(131)	(.323)
Mar	149	.564	558	2.113	(300)	(1.136)	(237)	(.898)
Apr	142	(1.710)	(418)	5.036	213	(2.566)	(245)	2.952
May	169	.695	428	1.761	(450)	(1.851)	(84)	(.346)
Jun	95	.409	172	.741	39	.168	168	.724
Jul	34	(.283)	(38)	.316	(190)	1.583	(21)	175
Aug	67	.222	258	.857	(56)	.186	125	.415
Sep	(121)	(.902)	(331)	(2.470)	826	6.164	78	.582
Oct	374	(.820)	523	(1.146)	(611)	1.339	(116)	.254
Nov	40	.199	210	1.044	270	1.343	(415)	(2.065)
TOTAL	1.034		1.264		(50)		(940)	
Five Year Total Change	1.401		33		(1.594)		(479)	

NOTE: Parentheses ( ) denote negative.

GOVERNMENT OF VIETNAM BALANCE OF PAYMENTS IN 1962

(HARRIET LUBIN)

This study presents an expanded format of Government of Viet-Nam (GVN) Balance of Payments statistics.

The format is that used in the IMF Balance of Payments Yearbook with as much detail as possible for each item. In presenting the GVN Balance of Payments, five columns are provided. The first column, «GVN's Own Exchange,» includes all transactions which affect GVN's foreign exchange (referred to as Forex hereafter). The next column, Other Commercial Transactions,» includes all transactions of a non-project nature which are financed by foreign assistance. Imports of surplus agricultural commodities for which payment is made in piasters are included in this column. The uses of U.S.-owned piasters generated by sales of U.S. surplus commodities are also included in this column even though these uses are not in the nature of commercial transactions. This is done in order to balance out to the change in piaster liabilities to the U.S. (see line 1.24 below). The third column is the sum of the two preceding columns. The fourth column, «Non-Commercial Transactions,» includes all other transactions such as project type aid financed by U.S. and third country grants and loans, barter transactions, PL 480 other than Title I, etc. The last column is the grand total of all the preceding columns.

In presenting the statistical detail and grouping it under the five columns indicated above the IMF stub has served as a model and that institution's line numbering system was adhered to as closely as possible.

In separating GVN's own transactions from other commercial and non-commercial transactions affecting foreign exchange, an analytical tool is provided that should be of assistance in estimating the impact of various policies on GVN foreign exchange stocks and flows. The «building bricks» approach adopted in developing the attached presentation of the GVN Balance of Payments should prove useful for constructing different models for differing analytical purposes

SOURCES OF DATA

Data employed in the attached presentation of the GVN Balance of Payments came from the Research Section of the National Bank of Viet-Nam (NBVN) which prepares the balance of payments using data obtained from a variety of sources. Listed below are the sources for the major entries:

1. **Items Affecting GVN's Own Exchange** — From the records of the National Exchange Office.

2. **U.S. Aid**

a. Commercial Imports — From the records of the NBVN. These data agree with those in Table H-2 of

the USOM Statistical Bulletin except for Procurement Authorizations (PA's) where there is a minor timing difference between the United States Operations Mission's (USOM's) figures and the records of the NBVN.

b. Titles II and III -- Supplied by USOM.

c. Information Media Guarantee Program (IMG) — From the records of NBVN

d. Project Aid -- Supplied by USOM.

e. AID Loans -- Supplied by USOM.

f. Uses of U.S.-owned Local Currencies — Supplied by USOM

g. Counterpart for U.S. use — Supplied by USOM.

3. **French Aid**

a. Grants — Supplied by French Embassy.

b. Guaranteed Exporter Credits — From the records of the NBVN.

4. **Japanese Aid**

a. Loans — From records of the NBVN.

b. Reparations -- Supplied by the DaNhim Dam Company.

There is a timing difference between data on Japanese aid in the balance of paysents and in USOM reports on Third Country Assistance. For reparations, the Government of Japan (GOJ) turns funds over to the DaNhim Dam Company in periodic installments in advance of spending. Data in tables on Third Country Assistance represent GOJ disbursements, data in the balance of payments represent the expenditures of the contractor. A comparison of GOJ disbursements data and balance of payments data is as follows:

	GOJ Disbursements			Balance of Payments		
	Reparations			Reparations		
	Comm. Imports	Other	Loan	Comm. Imports	Other	Loan
1960	—	0.9	—	—	—	—
1961	2.0	10.4	—	1.2	0.9	—
1962	4.8	8.7	7.2	5.2	4.4	3.7
Total end 62	6.8	20.0	7.2	6.4	5.3	3.7
1963 1st Qtr	na	na	na	na	19.8	3.8
Total 3/31/63					25.1	7.5

5. **Assistance from Other Countries and International Organizations** -- Supplied by respective missions.

MERCHANDISE TRADE

Table I below gives the data on merchandise trade. The following discussion provides an explanation of line entries.

Table I

VIETNAM'S BALANCE OF PAYMENTS IN 1962 — MERCHANDISE TRANSACTIONS
(Millions of Dollars)

	GVN Own Exchange		Other Commercial		Total Commercial		Non-Commercial		Grand Total	
	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb
1. **Merchandise — Total**	47.4	81.4	--	131.8	47.4	213.2	1.3	55.4	48.7	268.6
1.1 GVN Own account	47.4	75.3	—	--	47.4	75.3	—	—	47.4	73.3
1.2 U.S. Aid	—	6.1	—	122.7	—	128.8	—	27.3	--	156.1
1.21 PA's				94.3		94.3				94.3
1.22 Direct Dol. & Tri. Fr.		4.6				4.6				4.6
1.23 Sec 402				0.3		0.3				0.3
1.24 PL 480 Title I				28.1		28.1				28.1
1.25 Ind. Dev. Center		1.5				1.5				1.5
1.26 PL 480 Title II								1.3		1.3
1.27 PL 480 Title III								4.0		4.0
1.28 IMG								0.2		0.2
1.29a Project Aid								21.0		21.0
1.29b AID Loans								0.8		0.8
1.3 French Aid				3.9		3.9		12.4		16.2
1.31 Comm. Import Loan				3.9		3.9				3.9
1.32 Ha Tien Loan								12.1		12.1
1.33 Grants								0.3		0.3
1.4 Japanese Aid & Reparations				5.2		5.2		7.9		15.1
1.41 Reparations Comm. Imports				5.2		5.2				5.2
1.42 Other Reparat. Grants								4.2		4.2
1.43 Loan								3.7		3.7

Table I (Continued)

VIETNAM'S BALANCE OF PAYMENTS IN 1962 — MERCHANDISE TRANSACTIONS
(Millions of Dollars)

	GVN Own Exchange		Other Commercial		Total Commercial		Non-Commercial		Grand Total	
	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb
1.5 German Aid								0.3		0.3
1.6 UN Aid								0.1		0.1
1.7 Colombo Plan Aid								0.3		0.3
1.8 Other							1.3	7.1	1.3	7.1
1.81 Temporary Exports & Re-exports							0.1		0.1	
1.82 Barter							0.7	0.7	0.7	0.7
1.83 Without Exchange							0.5	6.3	0.5	6.3
1.84 Investment Goods								0.1		0.1
Balance on Goods		34.1		131.7		165.8		54.1		219.9

Line 1.1 GVN Own Account — Credits are GVN exports, debits are imports financed by GVN own resources.

1.2 US Aid

1.21 Procurement Authorizations (PA's) — These are US-financed imports under the Commercial Aid Program. They exclude Section 402, surplus agricultural commodity imports, and also imports under Direct Dollar and Triangular Franc procedures. The countervailing transaction (contra-entry) is entered as a credit to government transfers in line 10.21.

1.22 Direct Dollars and Triangular Francs — Although these are US-financed imports, they are included under GVN's own exchange because these imports result in a drawdown of GVN's forex. During 1954-1958, these dollars and francs were transferred by the US to the GVN to be used for imports. At that time, the amounts transferred were treated as grants or loans in the balance of payments with a contra-entry of an increase in forex. When such imports arrive and are paid for, the entry is a debit in this line with the contra-entry of a drawdown of forex, a credit in line 19.24.

1.23 Section 402 and PL 480 Title I — These are sales of US surplus

1.24 Agricultural commodities for piasters under the Mutual Security and the Agricultural Trade Development and Assistance Acts. Payments for imports are a debit entry in these lines with the contra-entry of an increase in liabilities, a credit in lines 15.224 and 15.225, «Piaster Liabilities to the US.» When US-owned piasters are granted back to the GVN, the entries are a debit in lines 15.224 and 15.225 and a credit in lines 10.23 and 10.24, «Transfer Payments, Central Government.» When the piasters are used for US purposes, the entries are a debit in line 15.225 and a credit in line 7.21, «Government n.i.e.»

For 1962, PL 480 imports are entered at the dollar cost on invoices; grants and US uses of piasters are converted from piasters to dollars at the rate at which the piasters were generated, on a first-in-first-out basis; the change in liabilities is the arithmetic difference between the dollar cost of the goods as shown on invoices, and the dollar value of uses converted from piasters at this mixed rate. The value of grants, therefore, cannot be derived readily from Table H-3 of the USOM Statistical Bulletin, and the change in liabilities to the US cannot be derived readily from Table H-4.

1.25 Industrial Development Corporation — The IDC is a joint US Government - VN Government project to provide technical and financial assistance to industry in Viet-Nam. During 1958-1961, the US granted $6.7 million to GVN which were used to finance imports of industrial equipment. Companies desiring equipment make arrangements with IDC to have the goods paid for from this fund. The dollar tranfers were included in the balance of payments during the years 1958-1961 as a grant and increase in forex. Goods paid for in 1962 are treated as an import and a reduction in forex. For that reason, the value of these imports is included in the column for GVN's own forex.

1.26 PL 480 Title II — These US surplus agricultural commodities are donated to the people of Viet-Nam by US government agencies. The debit is treated as imports and the contra-entry is a credit in line 10.27, «Central Government Transfers.»

1.27 PL 480 Title III -- These US surplus agricultural commodities are donated to the people of Viet-Nam through charitable organizations. The debit is tantamount to imports and the contra-entry, in accordance with IMF procedure, is a credit in line 9.2, «Private Transfers.»

1.28 Information Media Guarantee — This is a program under which the U.S. finances the import of books, records and other information media. Importers pay piasters at the rate of $VN 60 to $US1 into a special U.S. account, and these piasters are eventually used for the benefit of Viet-Nam. For simplicity in the balance of payments, it is considered that a grant takes place at the time dollar funds are expended by the U.S. The contra-entry therefore, is a credit in line 10.28, «Central Government Transfers.»

1.29a Project Aid — These are commodities brought in under US direct project aid programs. The value of these commodities is shown analogously to imports as debits and the contra-entry for the entire amount is a credit in line 10.29, «Central Government Transfers.»

1.29b AID Loans — These are imports of commodities financed by AID loans. Disbursements against these loans are compiled from USOM Controller records and an estimate is made of the breakdown between commodities and services. Commodities are a debit in

this line; services are a debit in line 7.25, «Government n.i.e..» The contra-entry for both is a credit in line 15.21, «Non-Monetary Sectors, Central Government.» Repayments of these loans are a debit in line 15.21, and since the repayments are in piasters, the contra-entry is a credit in line 15.221 «Piaster Liabilities to the U.S.» Interest payments, also made in piasters, are a debit in line 6.2, «Investment Income» and a credit in line 15.222. US uses of interest and principal are a debit in lines 15.221 and 15.222, and a credit in line 7.22, «Government n.i.e..»

1.3 French Aid

1.31 Commercial Import Loans — These are imports financed by a loan from private French banks which is guaranteed by the French Government. Although this loan finances imports for the private sector, the contra-entry is a credit in line 15.3, «Central Government Capital,» because the loan is actually made to the GVN; importers pay the full amount in piasters to the GVN which may use them for any budgetary expenditures. Repayments of the loan, a debit in line 15.5, are entered in the column for GVN's own exchange in order to balance out the contra-entry, a decrease in forex.

1.32 Ha-Tien Loan — These are imports for the Ha-Tien Cement factory also financed by a loan from private French banks which is guaranteed by the French Government. The contra-entry is a credit in line 12, «Other Private Long Term Capital,» because the cement factory is a public enterprise. Since this is project-type aid, it is listed as a non-commercial transaction.

1.33 Grants - - This is the commodity element of French economic and technical assistance. Scholarships financed by these programs are included in line 5.3, «Travel,» and other services are a debit in line 7.3. The contra-entry for all three combined (i.e., commoditities, scholarships and other services) is a credit in line 10.3, «Central Government, Transfer Payments.»

1.4 Japanese Aid and Reparations

1.41 Reparations-Commercial Imports — These are imports of consumer goods under the $7.5 million (equivalent) grant to generate piasters for the local currency cost of the Da-Nhim Dam. The contra-entry is a credit in line 10.4, «Central Government Transfers.»

1.42 Other Reparations Grants — These are the contractors' payments for commodities brought in for the Da-Nhim Dam A small amount for services is shown in line 7.4, «Government n.i.e.» The contra-entry for both is a credit in line 10.4, «Central Government Transfers.» Since this is project-type aid it is listed in the «non-commercial» column.

1.43 Loan — These are imports under the $7.5 million (equivalent) loan for the Da-Nhim Dam transmission line. The contra-entry is a credit in line 15.4, «Non-Monetary Sectors, Central Government.» Since this is project-type aid, it is listed in the non-commercial column.

1.5 German Aid, UN Aid, Colombo Plan Aid — This is
1.6 the commodity element of aid from Germany, the
1.7 US, and from other countries through the Colombo Plan. The services element for all three are in lines 7.5, 7.6, and 7.7. Scholarships through the Colombo Plan are included in line 5.5, «Travel.» The contra-entries are credits in lines 10.5, 10.6 and 10.7, «Central Government Transfers.»

1.8 Other

1.81 Temporary Exports and Re-exports — No contra-entry seems to have been made. It is questionable whether or not these items should be included in the balance of payments.

1.82 Barter — These are barter arrangements with Laos and Cambodia. Exports are approximately equal to imports.

1.83 Without Exchange — These are exports and imports without the use of foreign exchange. The contra-entries are given in line 9.3 «Private Transfers.»

1.84 Investment Goods — This is direct investment in commodities. The contra-entry is a credit in line 11, «Direct Private Investment.»

SERVICES

Table II gives the detail for invisible transactions. Line items are explained below:

Line 4. Transport and Insurance — GVN earnings from these services are, of course, credits and payments, debits.

Line 5. Travel

5.1 GVN Own Account. See note to line 8.1.

5.2 Scholarships. See notes to lines 1.29a, 1.33

5.3 and 1.7.

Line 6. Investment Income

6.1 GVN Own Account — The major component of the credit entry consits of interest earnings on the NBVN holdings of foreign exchange. The debit consists mainly of transferred earnings by direct investors in Viet-Nam and interest paid by the central government on foreign obligations.

6.2 Interest on U.S. loans — See note to line 1.29b.

Line 7. Government n.i.e. (not indicated elsewhere)

7.1 GVN Own Account — The credit entries cover identifiable expenditures in Viet-Nam by international institutions and diplomatic and other missions (but see note to line 8.1). The debit entries are largely GVN diplomatic expenditures abroad.

7.2 US Aid

7.21 PL 480 Title I Uses — See note to line 1.24.

7.22 AID Loans, Interest and Principal used — See note to line 1.29b.

7.23 Counterpart Used — These are expenditures from the Trust Fund, an account of the USDO into which the GVN deposits either counterpart or piasters subject to GVN central for use in funding USOM program administration expenses. The contra-entry is a debit in line 10.21, «Central Government Transfers.»

7.24 Direct Aid, Services — See note to line 1.29a.

7.25 AID Loans, Services — See note to line 1.29b.

7.3 to 7.7. Aid in the form of services from other countries and international organizations — See notes to lines 1.3 to 1.7.

Line 8. Other Services

8.1 Free Market Operations — This represents transactions through the free market for which classification by balance of payments items is not available. On the credit side it includes foreign tourist and diplomatic expenditures in Viet-Nam which should properly be in lines 5.1 and 7.1. For 1962, the USOM provided the NBVN with information on the value of dollar conversions

Table II

VIETNAM'S BALANCE OF PAYMENTS IN 1962 — INVISIBLE TRANSACTIONS

(Millions of Dollars)

	GVN Own Exchange		Other Commercial		Total Commercial		Non-Commercial		Grand Total	
	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb
Services — Total	36.9	27.0	1.4	—	38.3	27.0	2.8	12.3	41.1	39.3
4. **Transport & Insurance**	6.3	5.2			6.3	5.2	—	—	6.3	5.2
5. **Travel — Total**	—	5.7			—	5.7	—	2.0	—	7.7
5.1 GVN Own Account	—	5.7			—	5.7				5.7
5.2 U.S. Scholarships								1.8		1.8
5.3 Other Scholarships								0.2		0.2
6. **Investment Income**	6.0	7.5			6.0	7.5		1.0	6.0	8.5
6.1 GVN Own Account	6.0	7.5			6.0	7.5			6.0	7.5
6.2 Interest on US Loans								1.0		1.0
7. **Government n.i.e.**	0.2	3.6	1.4	—	1.6	3.6	2.8	9.3	4.4	12.9
7.1 GVN Own Account	0.2	3.6			0.2	3.6			0.2	3.6
7.2 U.S. Aid			1.4		1.4	—	2.8	6.0	4.2	6.0
7.21 PL 480 Title I Uses			1.4		1.4	—			1.4	
7.22 AID Loans — Interest & Principal Used							1.1		1.1	
7.23 Counterpart Used							1.7		1.7	
7.24 Direct Aid, Services								5.2		5.2
7.25 AID Loans, Services								0.8		0.8
7.3 French Aid								0.7		0.7
7.4 Japanese Reparations								0.2		0.2
7.5 German Aid								0.1		0.1
7.6 U.N. Aid								0.4		0.4
7.7 Colombo Plan Aid								1.9		1.9

Table II (Continued)

VIETNAM'S BALANCE OF PAYMENTS IN 1962 — INVISIBLE TRANSACTIONS
(Millions of Dollars)

	GVN Own Exchange		Other Commercial		Total Commercial		Non-Commercial		Grand Total	
	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb
8. Other Services	24.4	5.0			24.4	5.0			24.4	5.0
8.1 Free Market Operations	23.7				23.7				23.7	
8.11 Identifiable US conversions	14.2				14.2				14.2	
8.12 Other	9.5	2.8			9.5	2.8			9.5	2.8
8.2 Miscellaneous	0.7	2.2			0.7	2.2			0.7	2.2
Balance on Services	9.9		1.4		11.3			9.5	1.8	

made by the US and HSAS Disbursing Officers for the first time. This amount is given in item 8.11. The NBVN decided to keep it in this line rather than in line 7.1 so as not to distort past trends. The credit in line 8.12 is the residual after deduction of identifiable US conversions; it includes conversions made by other official missions and private citizens, and also some amount of conversions made by American military and civilian personnel through such legal channels as registered exchange booths in hotels and airlines.

8.2 Miscellaneous services - - This includes payments and receipts for post, telegraph and radio, film rentals, and other miscellaneous items.

TRANSFER PAYMENTS

Table III and line explanations are given below:

Line 9. Private Transfer Payments

9.1 GVN Own account - This represents dowries, legacies, migrants' transfers and remittances by Vietnamese nationals.

9.2 PL 480 Title III - See note to line 1.27.

9.3 Merchandise Without Exchange — See note to line 1.83.

Line 10. Central Government

10.1 GVN Own Account — This represents subscription payments to international organizations and small amounts of aid given to other countries as donations or technical assistance.

10.2 US Aid - See notes to lines 1.2 and 15.2.

10.3 - 10.7 Aid from other countries and international organizations — See notes to lines 1.3 to 1.7.

Table III

VIETNAM'S BALANCE OF PAYMENTS IN 1962 — TRANSFER PAYMENTS
(Millions of Dollars)

	GVN Own Exchange		Other Commercial		Total Commercial		Non-Commercial		Grand Total	
	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb
B. **Transfer Payments**	—	0.6	125.4	—	125.4	0.6	48.5	2.2	173.9	2.8
9. **Private**	—	0.3	—	—	—	0.3	10.3	0.5	10.3	0.8
9.1 GVN own account		0.3				0.3				0.3
9.2 PL 480 Title III							4.0		4.0	
9.3 Merchandise without Exchange							6.3	0.5	6.3	0.5
10. **Central Government**	—	0.3	125.4	—	125.4	0.3	38.2	1.7	163.6	2.0
10.1 GVN Account	—	0.3			—	0.3			—	0.3
10.2 US Aid			120.2		120.2		29.5	1.7	149.7	1.7
10.21 PA			94.3		94.3			1.7	94.3	1.7
10.22 Sec 505			0.6		0.6				0.6	
10.23 Sec 402			3.6		3.6				3.6	
10.24 PL 480 Title I			20.0		20.0				20.0	
10.25 Piaster Purchase			1.7		1.7				1.7	
10.26 IDC			—		—				—	
10.27 PL 480 Title II							1.3		1.3	
10.28 IMG							0.2		0.2	
10.29 Project Aid (G&S)							28.0		28.0	
10.3 French Aid							1.1		1.1	
10.4 Japanese Reparations			5.2		5.2		4.4		9.6	
10.5 German Aid							0.5		0.5	
10.6 U.N. Aid							0.5		0.5	
10.7 Colombo Plan Aid							2.3		2.3	
Net Transfer Payments		0.6	125.4		124.8		46.3		171.1	

CAPITAL AND MONETARY GOLD

These transactions are given in Table IV and are followed by detailed line explanations.

Line 11. Direct Investment -- The credit entry in the column, «GVN Own Exchange,» is the portion invested in Viet-Nam through conversion of foreign exchange. The credit entry the column, «Non-commercial,» is the contra-entry for line 1.84.

Line 12. Other Private Long Term — See note to line 1.32.

Line 15. Central Government

15.1 GVN Own Account - The debit entry represents the subscription payments to the International Development Association in piasters with the corresponding increase in liabilities as a credit entry.

15.2 US Aid

15.21 AID Loans - Drawings and Repayments — See note to Line 1.29b.

15.22 Piaster Liabilities to US

15.221 Repayments and Interest on AID Loans
15.222 – See note to line 1.29b.

15.223 Section 505 — This is the contra-entry for the grant of piasters for the AEDF Telecommunications Project in line 10.22.

15.224 Section 402 and PL 480 Title I — See note
15.225 to lines 1.23 and 1.24.

15.226 Piaster Purchase — This is the $10 million counter-insurgency piaster purchase. During 1962, $4 million of piasters were purchased and the equivalent of $1.7 million were granted to the GVN. The purchase of these piasters is a credit in this line, and, since the contra-entry is an increase in forex, both of the entries are made in the column for GVN Own Exchange. The grant of $1.7 million of piasters is a debit in this line and a credit in line 10.25.

15.3 French Loan -- See note to line 1.31.

15.4 Japanese Loan — See note to line 1.43.

Line 16. Commercial Bank Liabilities -- This represents the change in liabilities of Commercial banks.

Line 17. Commercial Bank Assets -- This represents the change in assets of commercial banks. The change shown is not comparable with the change that can be derived from line 11 of the Vietnam page in **International Financial Statistics** and or from the Memorandum Entry in Table C-2 of USOM's Annual Statistical Bulletin. Data in the IFS and USOM Statistical Bulletin cover only cash accounts whereas for the balance of payments the NBVN includes among its assets blocked accounts, portfolio investments, accounts receivable and other miscellaneous debits.

Line 18. National Bank Liabilities -- This is the increase in liabilities resulting from the payment of the piaster portion of the subscription to the IMF. The contra-entry is a debit in line 19.1, «IMF Subscription.»

Line 19. National Bank Assets

19.1 IMF Subscription -- The gold portion of the subscription payment is made in the column, «GVN Own Exchange,» since the contra-entry is a decrease in forex holdings at the NBVN. The piaster portion of the subscription is the contra-entry to line 18.

19.2 Other claims (net) — This is the net change in forex holdings.

Table IV

VIETNAM'S BALANCE OF PAYMENTS IN 1962 — CAPITAL AND MONETARY GOLD

(Millions of Dollars)

	GVN Own Exchange		Other Commercial		Total Commercial		Non-Commercial		Grand Total	
	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb
C Capital and Monetary Gold	25.0		5.0		30.1		17.4		47.4	
Non-Monetary Sectors	4.1	1.2	32.3	27.3	36.3	28.3	19.0	1.6	55.4	30.1
11 Direct Investment	0.1				0.1		0.1	*	0.2	*
12 Other Private Long Term France Ha-Tiên							12.1		12.1	
15. Central Government	4.0	1.2	32.3	27.3	36.2	28.3	6.8	1.6	43.1	30.1
15.1 GVN Own Account										
15.11 IDA subscription								0.3		0.3
15.12 Liabilities							0.3		0.3	
15.2 U.S. Aid	4.0	—	28.4	27.3	32.4	27.3	2.8	1.3	35.2	28.6
15.21 AID Loans-Drawings & Rep.							1.6	0.2	1.6	0.2
15.22 Piaster Liabilities to U.S.	4.0	—	28.4	27.3	32.4	27.3	1.2	1.1	33.6	28.4
15.221 Repayment on AID Loans							0.2	0.2	0.2	0.2
15.222 Interest on AID Loans							1.0	0.9	1.0	0.9
15.223 Sec. 505				0.6		0.6				0.6
15.224 Sec. 402			0.3	3.6	0.3	3.6			0.3	3.6
15.225 PL 480 Title I			28.1	21.4	28.1	21.4			28.1	21.4
15.226 Piaster Purchase	4.0			1.7	4.0	1.7			4.0	1.7
15.3 French Loans		1.2	3.9		3.9	1.2			3.9	1.2
15.4 Japanese Loans							3.7		3.7	

* Less than $50,000

Table IV (Continued)

VIETNAM'S BALANCE OF PAYMENTS IN 1962 — CAPITAL AND MONETARY GOLD
(Millions of Dollars)

	GVN Own Exchange		Other Commercial		Total Commercial		Non-Commercial		Grand Total	
	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb
Monetary Sectors	25.4	3.3			25.4	3.3	1.5	1.5	26.9	4.8
16. Commercial Bank Liabilities	3.1				3.1				3.1	
17. Commercial Bank Assets		2.8				2.8				2.8
18. Nat'l Bank Liabilities (IMF)							1.5		1.5	
19. Nat'l Bank Assets										
19.1 IMF Subscription		0.5				0.5		1.5		2.0
19.2 Other Claims (net)	22.2				22.2				22.2	
of Which :										
19.21 Piaster Purchase		4.0								
19.22 Other Identifiable US Agency Conversions		14.2								
19.23 IDC	1.5									
Direct Dollars & Tri-Francs	4.6									
20. Errors and Omissions		0.4								0.4

19.21 to 19.24 Detail shown represents those changes which can be ascribed to the US presence in Vietnam, but does not include conversions made through other than official intermediaries.

SUMMARY

Table V summarizes the information provided in the preceding tables.

Table V

VIETNAM'S BALANCE OF PAYMENTS IN 1962 — SUMMARY

(Millions of Dollars)

	GVN Own Exchange		Other Commercial		Total Commercial		Non-Commercial		Grand Total	
	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb	Cr	Deb
A. Goods and Services	84.3	108.4	1.4	131.8	85.7	240.2	4.1	67.7	89.8	307.9
1. Merchandise	47.4	81.4	—	131.8	47.4	213.2	1.3	55.4	48.7	268.6
2-8. Services	36.9	27.0	1.4	—	38.3	27.3	2.8	12.3	41.1	39.9
Balance on Goods & Services		24.1		130.4		154.5		63.6		218.4
B. Transfer Payments	—	0.6	125.4	—	125.4	0.6	48.5	2.2	173.9	2.8
9. Private	—	0.3	—	—	—	0.3	10.3	0.5	10.3	0.8
10. Central Government	—	0.3	125.4	—	125.4	0.3	38.2	1.7	163.6	2.0
Net Transfer Payments		0.6	125.4		124.8		46.2		171.1	
Net Total 1 through 9		24.4		130.4		154.8		53.8		208.6
Net Total 1 through 10		24.7		5.0		29.7		17.3		47.0
C. Capital and Monetary Gold (net)	25.2		5.0		30.0		17.4		47.4	
Non-Monetary Sectors (net)	2.9		5.0		7.9		17.4		25.3	
Monetary Sectors	22.1		—		22.1		--		22.1	
16,17 Commercial Banks (net)	0.3		—		0.3		—		0.3	
18,19 Nat'l Bank (net)	21.7		—		21.7		—		21.7	
Net Errors and Omissions		0.3	—			0.1		0.2		0.4

Note: Details do not add to totals due to rounding.

STATUS OF MANUFACTURING IN VIETNAM

(FRED RITCHIE)

This study is a first step in an undertaking to collect and analyze information needed as a basis for planning and programming future industrial development in Viet-Nam.

Efforts to plan for industrial development in Viet-Nam are not new. The Government of Viet-Nam's (GVN's) Five-Year Plan includes a section which describes the major developments in manufacturing and deals with the obstacles encountered in furthering industrial expansion (e.g., insecurity, shortages of capital and qualified personnel, etc.). The National Economic Council likewise has produced papers on the subject. Mission technicians have endeavored to create a framework for guiding the future direction of industrial expansion while taking care of the more current problems of assisting investors interested in specific enterprises.

These efforts have been handicapped by lack of a comprehensive set of data which would lend itself to an analysis of the present status of manufacturing in Viet-Nam as a basic point of departure. The present study is an attempt to fill this gap by taking advantage of a survey conducted by GVN's National Institute of Statistics (NIS). This survey was designed primarily for construction of an index of industrial production. The questionnaires used in the survey include information on the status of manufacturing in CY 1962.

From the questionnaires returned by the responding companies we have extracted thus far the following information:

(1) A list of the manufacturing or processing companies whose sales in CY 1962 amounted to 2,000,000 piasters or more, the commodities produced, and the quantities and sales values.

(2) For each commodity, the total quantity and value produced by companies covered by the questionnaires.

To the above information was added appropriate Customs data on imports and exports, as well as other available information.

The first step in the use of these data is to try to reveal the commodity areas in which there is room for industrial investment to fill domestic market requirements. Table I shows for each commodity produced in CY 1962 (1) the quantity and value of production (value expressed in U.S. dollars calculated at 74 piasters to one U.S. dollar, which was then the approximate average rate for AID financed imports), (2) the quantities of those commodities imported and their value in U.S. dollars; also the value of the exports, (3) the estimated local consumption for each commodity (production plus imports minus exports), and (4) the percentage of consumption which was covered by imports.

Table II shows imports of commodities for which there was no recorded local production.

Tables III, IV, and V update the above in some degree by listing the capacities of (1) industrial plants which became operative or expanded since CY 1962, (2) industrial ventures and expansions which have been approved, and (3) ventures and expansions for which applications have been made but not yet approved.

In order to highlight the more significant imports, Table VI indicates, for commodities whose imports in CY 1962 were one million dollars or more, new local production capacity added or being contemplated since CY 1962, and, by implication, points up the residual which should be open to coverage by interested investors. Table VII does the same for commodities whose imports were $500,000 to $1,000,000.

From Tables I and II one can get some idea of (1) the commodities for which there was an appreciable local market in CY 1962, and (2) the degree to which the market was covered by domestic production. Tables III, IV, and V amplify these observations by indicating the degree to which the market can be expected to be covered by additional local production resulting from specific new capacity in being or in some stage of contemplation. The residual of all this is the uncovered market which is still open for new investment. This is indicated in Tables VI and VII.

The above data are subject to limitations which should be recognized, although they represent a forward step from the fragmentary information heretofore available. The NIS data on production derive from questionnaires sent out to firms recorded in a master list consolidated from all available listings (e.g., from chambers of commerce, other government agencies, etc.). Follow-up calls were made on firms which failed to return questionnaires within the scheduled time. In general it appears that the coverage of firms of appreciable size is fairly complete, considering that many responses came from firms with annual sales of less than 1,000,000 piasters. However, the survey does not include the small «back-alley» shops from which data probably could not be obtained even if attempted. This omission apparently has little significance for most of the commodities. However, there are exceptions such as shoes. Only one large producer of ready-made shoes is represented in the returns, but many shoes produced in Viet-Nam are custom-built in small shops. Other significant exceptions are cotton, rayon, and silk fabrics (see footnote (4) of Table I).

It is quite possible that the production data submitted by some firms are understated because of tax considerations. It would seem appropriate to regard them as minimum figures. Possible error is also embodied in the arbitrary conversion of the value of local production from piasters to dollars at the 74 rate. Considerations of expediency necessitated some such device in order to combine production and imports so as to arrive at an estimate of consumption. It was not feasible to combine quantities because in many instances the production and import figures were stated in different units which could not be readily converted one to another.

The import data from Customs should be fairly reliable except for possible clerical and commodity classification errors.

The data on new capacity in being or contemplated are estimates of varying degrees of exactitude. An

effort was made to obtain the maximum potentials in keeping with a primary purpose of this exercise, i.e., to provide some guidance for new investors as to which manufacturing industries already appear to be getting sufficiently developed to take care of the estimated local market and, on the other hand, which commodity areas are still open for new investment. Some of the capacities listed will not be fully utilized for some time to come. Another aspect of the picture is that some investors deem it profitable to push into an industry which ostensibly already has sufficient capacity to supply the entire local market. These investors believe they can compete successfully in terms of quality, price, etc. The GVN is not closing out such competition entirely even though it is concerned with avoiding unduly wasteful duplication of capacity.

The logical culmination of this exercise appears in the «residuals» in Table VI and VII which result from considerations of production, imports, and exports in CY 1962 and subsequent development and anticipations of new capacity. It should be realized that insofar as the «residuals» are based on CY 1962 imports there is no allowance made for subsequent growth of the local market. Moreover, the «residuals» assume that the anticipated new capacities listed in Tables IV and V will in fact be realized. Obviously there is the possiblity that some of them, especially those not yet approved (Table V) will not come into being for quite some time, if at all.

From the nature of the data utilized, there are two areas of potential investment opportunities which are not revealed, i.e., (1) production for export, and (2) production of commodities (e.g., certain industrial raw materials, supplies, etc.) which were not imported in CY 1962 because the industries they were to feed were not yet operative at that time.

Examination of the commodities manufactured in CY 1962 shows a heavy predominance of consumer goods, as one would expect in an economy which is still in the early stages of industrial development. Beverages, foodstuffs, textiles, and tobacco products far exceeded other categories, accounting for about 80 per cent of the total coverage of the survey. The new ventures and expansions listed in Tables III, IV, and V do not reveal any pronounced deviation from that trend. A major exception is the industrial complex at An Hoa, which should produce substantial quantities of fertilizers and chemicals. Another potential is the possibility that some fertilizers and chemicals will be produced as by-products of the proposed petroleum refinery.

Tables VI and VII suggest that, in terms of local market demand not met by local production, there is appreciable room for investment in industries to produce insecticides, aluminum products, condensed milk, glass, drawn iron wire, electric wire, and small engines for irrigation pumps and fishing boats. There is also a market for simple iron products such as bars, sheets and tubes which presumably could be processed from predominantly local scrap melted down in blast or electric furnaces. Chemicals based largely on sulfuric acid might offer another opportunity if the sulfuric acid is also produced locally. In this regard it is worth noting that presently the transportation cost of importing sulfuric acid from the nearest source is almost equal to the f.o.b. price. This factor, which apparently has discouraged development of a chemical industry based on sulfuric acid, would by

the same token offer local production of sulfuric acid a substantial advantage over outside competition.

Obviously, these suggestions would need to be pursued in greater depth to determine feasibility in light of specific factors of cost, price, availability of raw materials, etc., before definite investment determinations could be made.

One can probably assume that for the most part such categories as industrial machinery, transportation equipment beyond the bicycle level, and commodities requiring highly advanced skills (e.g., surgical instruments) are out of the running for the time being, either because they require a scale of operation for economical production which is too large for the Viet-Nam market or they entail technical ability that will not be developed in Viet-Nam in the near future.

A warning should be sounded concerning the «residual» of almost $3,000,000 for paper. Present capacity plus that which is being added is about enough to supply the local market for essentially all kinds of paper except newsprint. Thus the «residual» in effect represents only newsprint. Industrial technicians claim that the economies of large-scale production in that industry are so pronounced that a mill scaled down to the capacity of the Viet-Nam market could hardly be competitive. For various reasons it is also questionable whether capacity for wheat flour should be increased beyond that which is already contemplated.

Table I (a)

MANUFACTURING PRODUCTION IN RELATION TO CONSUMPTION, CY 1962

Commodity	Production in US$ 1,000	Production in US$ 1,000 (1)	Imports in US$ 1,000	Exports in US$ 1,000	Estimated Consumption in US$ 1,000	% of Consumption That Was Imported
FOODSTUFF						
Fish sauce (nuoc mam)	201,400	2,721.5	—	30.8	2,690.7	—
Soy sauce	5,613	75.8	—	—	75.8	—
Pork, canned	1,482	20.0	8.3	—	28.3	29
Fish, canned	12,211	165.0	—	—	165.0	—
Duck egg powder	19,561	264.3	—	335.4(2)	—	—
Seasoning powder	4,852	65.6	—	—	65.6	—
Cake and candy	7,691	103.9	4.4	—	108.3	4
Brown sugar	280,000	3,783.6	2,921.0	—	6,704.6	44
Refined sugar	898,186	12,137.2	655.2	—	12,792.4	5
Sugar cane juice	4,656	62.9	—	—	62.9	—
SUB-TOTAL(3)	1,435,652	19,399.8	3,588.9	366.2	22,693.6	16

Table I (a) Continued

MANUFACTURING PRODUCTION IN RELATION TO CONSUMPTION, CY 1962

Commodity	Production in US$ 1,000	Production in US$ 1,000 (1)	Imports in US$ 1,000	Exports in US$ 1,000	Estimated Consumption in US$ 1,000	% of Consumption That Was Imported
BEVERAGES						
Syrup	5,410	73.1	—	—	73.1	—
Rice alcohol	190,000est.	2,567.5	—	—	2,567.5	—
Rhum & european alcohol	47,839	646.4	437.0	—	1,083.4	40
Chinese alcohol	1,547	20.9	—	15.5	5.4	—
Beer	896,500est.	12,114.4	—	248.3	11,866.1	—
Carbonated drinks	890,000est.	12,026.6	—	—	12,026.6	—
Mineral water	14,917est.	201.6	—	0.5	201.1	—
Ice	44,824	605.7	—	—	605.7	—
SUB-TOTAL(5)	2,091,037	28,256.2	437.0	264.3	28,428.9	1
TOBACCO						
Tobacco & tobacco manufactures	961,873	12,997.8	17.9	17.9	12,997.8	0.1
TEXTILES						
Cotton yarn	323,865	4,376.4	5,750.0	—	10,126.4	57
Thread	16,238	219.4	7.9	—	227.3	3
Jute string	13,000est.	202.7	—	15.9	186.8	—
Cotton fabrics	504,318	6,814.8(4)	6,513.8	—	13,328.6	49
Rayon fabrics	146,135	1,974.7(4)	181.7	—	2,156.4	1
Silk fabrics	9,532	128.8(4)	904.0	—	1,032.8	87
Jute fabrics	1,036	14.0	39.3	—	53.3	74
Jute bags	63,800	862.1	219.5	311.4	770.2	20
Blankets	21,823	294.9	655.9	—	950.8	69
Elastic braids	3,161	42.7	10.9	—	53.6	59
Towels	5,092	68.8	—	—	68.8	—
Nylon socks	6,023	81.4	5.2	—	86.6	6
Under-clothing	12,091	163.4	88.4	—	231.8	35
Woolen clothes	59,925	809.8	—	—	809.8	—
Fish net	6,706	90.6	81.3	—	171.9	47
SUB-TOTAL(5)	1,194,745	16,144.5	14,437.9	327.3	30,275.1	48

Table I (a) Continued

MANUFACTURING PRODUCTION IN RELATION TO CONSUMPTION, CY 1962

Commodity	Production in US$ 1,000	Production in US$ 1,000 (1)	Imports in US$ 1,000	Exports in US$ 1,000	Estimated Consumption in US$ 1,000	% of Consumption That Was Imported
CHEMICAL PRODUCTS						
Oxygen (	9,132	123.4	—	—	123.4	—
Acetylen (						
Carbonic acid	553	7.5	14.3	—	21.8	66
Carbonic gas	1,484	20.1	—	—	20.1	—
Fertilizer	7,758	104.8	5,857.9	—	5,962.7	98
Soaps	72,117	974.5	23.8	7.5	990.8	2
Paint	64,757	875.1	57.0	—	932.1	6
Tooth paste	42,433	573.4	—	—	573.4	—
Perfume (	2,883	39.0	118.5	—	157.5	75
(	181	2.4	—	—	2.4	—
Brilliantine for hair	1,209	16.3	—	—	16.3	—
Matches	19,956	269.7	1.0	—	270.7	—
Printer ink	4,359	58.9	239.4	—	298.3	80
Insecticides	1,466	19.8	1,686.0	—	1,705.8	99
»	3,038	41.0	—	—	41.0	—
SUB-TOTAL(5)	231,326	3,125.9	7,997.9	7.5	11,116.3	72
VEGETABLE OIL						
Peanut oil (refined)	—	—	125.5(3)	—	125.5	100
Peanut oil (crude)	3,935	53.2(3)	—	173.6(3)	—	—
Coconut oil	23,742	320.8	—	361.8(2)	—	—
Cotton seed & rubber oil	4,487	60.6	31.2	—	—	—
SUB-TOTAL(5)	32.164	434.6	156.7	494.4	5.1	—
PORCELAIN ARTICLES						
Miscellaneous porcelain articles	28,094	379.6	—	—	379.6	—
» » »	5,108	69.0	—	—	69.0	—
SUB-TOTAL(5)	33,202	448.6	—	—	448.6	—

Table I (a) Continued

MANUFACTURING PRODUCTION IN RELATION TO CONSUMPTION, CY 1962

Commodity	Production in US$ 1,000	Production in US$ 1,000 (1)	Imports in US$ 1,000	Exports in US$ 1,000	Estimated Consumption in US$ 1,000	% of Consumption That Was Imported
TILES	9,423	127.3	—	—	127.3	—
GLASS ARTICLES						
Glass	55,226	746.3	1,334.1	—	2,080.4	64
Bottles	9,752	131.8	94.0	—	225.8	42
Thermos for water	8,170	110.4	—	—	110.4	—
Ampoules (serum)	20,593	278.3	35.0	—	313.3	11
Miscellaneous glass articles	1,755	23.7	—	19.1	4.6	—
SUB-TOTAL(5)	95,496	1,290.5	1,463.1	19.1	2,734.5	53
CLOTHING & FOOTWEAR						
Ready-made clothes	16,373	221.2	4.6	—	225.8	2
Raincoats	12,400	167.6	—	—	167.6	—
Hats	2,001	27.0	63.9	2.5	88.4	70
Shoes, leather	7,888	106.6	0.6	6.4	100.8	9
Shoes, rubber or linen	16,077	217.2	—	—	217.2	—
SUB-TOTAL	54,739	739.6	69.1	8.9	799.8	9
WOOD & WOOD MANUFACTURED						
Timber	60,831	822.0	—	—	822.0	—
Plywood	11,205	151.4	58.1	—	209.5	28
SUB-TOTAL	72,036	973.4	58.1	—	1,031.5	6
PAPER & PAPER MANUFACTURED						
Paper and cardboard	115,405	1,559.5	6,274.4	0.5	7,833.4	80
Cardboard boxes	6,774	91.5	—	—	91.5	—
Exercise book	10,502	141.9	—	—	141.9	—
SUB-TOTAL(5)	132,681	1,792.9	6,274.4	0.5	8,066.8	78

Table I (a) Continued

MANUFACTURING PRODUCTION IN RELATION TO CONSUMPTION, CY 1962

Commodity	Production in US$ 1,000	Production in US$ 1,000 (1)	Imports in US$ 1,000	Exports in US$ 1,000	Estimated Consumption in US$ 1,000	% of Consumption That Was Imported
LEATHER						
Dressed skin	1,326	17.9	—	1.9	16.0	—
» »	7,393	99.9	—	—	99.9	—
SUB-TOTAL(5)	8,719	117.8	—	1.9	115.9	—
RUBBER PRODUCTS						
Tires, bicycle	543	7.3	1,704.3	—	2,003.0	85
Tubes, bicycle	21,568	291.4				
Tire retreading	15,825	213.8	—	—	213.8	—
Balls	311	4.2	—	—	4.2	—
Mattresses	6,681	90.3	—	—	90.3	—
Carpet	406	5.5	—	—	5.5	—
Piping, tubing	1,810	24.5	—	—	24.5	—
Gloves	73	1.0	—	—	1.0	—
Ice bags	4	0.05	—	—	0.05	—
Miscellaneous rubber articles	6,909	93.4	—	0.5	92.9	—
SUB-TOTAL(5)	54,130	731.45	1,704.3	0.5	2,435.25	70
ALUMINUM PRODUCTS						
Miscellaneous aluminum products	47,042	635.7	2,698.4	—	3,334.1	81

Table 1 (a) Continued

MANUFACTURING PRODUCTION IN RELATION TO CONSUMPTION. CY 1962

Commodity	Production in US$ 1,000	Production in US$ 1,000 (1)	Imports in US$ 1,000	Exports in US$ 1,000	Estimated Consumption in US$ 1,000	% of Consumption That Was Imported
METAL MANUFACTURES						
Barbed wire	32,862	444.1	410.8	—	854.9	48
Nails	30,916	417.8	58.1	—	475.9	12
Bottle caps	25,340	342.4	67.0	—	409..	16
Iron grill	3,482	47.1	—	—	47.1	—
Saws	4,392	59.3	61.3	—	120.6	51
Zip-fasteners	7,253	98.0	—	—	98.0	—
Parts of sewings machines	1,875	25.3	—	—	25.3	—
Cleaners (aluminum)	4,074	55.1	—	—	55.1	—
Metal cans	7,460	100.8	—	3.5	97.3	—
Lighters	300	4.1	—	—	4.1	—
Metal work	2,125	28.7	—	—	28.7	—
Foundry	9,621	130.0	—	—	130.0	—
SUB-TOTAL(5)	129,700	1,752.7	597.2	3.5	2,346.4	25
MACHINERY						
Sewing machine, assembling	55,781	753.8	618.0	—	1,371.8	45
ELECTRIC EQUIPMENT						
Drycell batteries	16,735	226.1	33.9	—	260.0	13
Electric fans	8,660	117.0	195.4	—	312.4	63
Electric wire	3,168	42.8	2,729.0	—	2,771.8	98
Flashlights	1,378	18.6	2.7	—	21.3	13
Radio, assembling	46,784	632.2	1,104.1	—	1,736.3	64
Electric bulbs	9,583	129.5	253.2	--	382.7	66
SUB-TOTAL(5)	86,308	1,166.2	4,318.3	—	5,484.5	79

Table I (a) Continued

MANUFACTURING PRODUCTION IN RELATION TO CONSUMPTION, CY 1962

Commodity	Production in US$ 1,000	Production in US$ 1,000 (a)	Imports in US$ 1,000	Exports in US$ 1,000	Estimated Consumption in US$ 1,000	% of Consumption That Was Imported
TRANSPORT EQUIPMENT						
Scooter, assembling	40,966	553.6	496.2	—	1,049.8	47
Motor-cycle, assembling	50,824	686.8	177.4	—	864.2	20
Parts of motor-cycles	10,342	139.8	—	—	139.8	- -
Parts of bicycles	5,413	73.1	6.1	—	79.2	8
Triporteurs (2 wheels)	35,040	473.5	—	—	473.5	—
SUB-TOTAL(5)	142,585	1,926.8	679.7	—	2,606.5	26
WATCHES & CLOCKS						
Wrist watches	11,130	150.4	75.0	—	225.4	33
Alarm clocks	26,012	351.5	8.7	—	360.2	2
Clocks, wall	1,620	21.9	—	—	21.9	—
Carillons	6,720	90.8	—	—	90.8	—
SUB-TOTAL(5)	45,482	614.6	83.7	—	698.3	12
PLASTIC ARTICLES						
Plastic string	2,630	35.5	266.8	—	302.3	88
» »	24,473	330.7	231.1	—	561.8	41
Plastic buttons	2,167	29.3	—	—	29.3	—
Miscellaneous plastic articles	9,749	131.7	—	—	131.7	- -
» » »	7,677	103.7	—	—	103.7	—
» » »	71,407	964.9	—	—	964.9	—
SUB-TOTAL(5)	117,103	1,583.8	497.9	—	2,093.7	24
MISCELLANEOUS PRODUCTS						
Pencils	7,117	96.2	36.2	—	132.4	27
Ball point pens	13,618	184.0	—	—	184.0	—
Gas mantles	2,304	31.1	1.9	—	33.0	6
SUB-TOTAL(5)	23,039	311.3	38.1	—	349.4	11
GRAND TOTAL(5)	7,007,221	94,701.5	43,058.2	1,440.9	136,227.0	

FOOTNOTE: For Tables I (a) and I (b)

(1) Production value is computed at VN$ 74 to US$ 1.

(2) In some cases the US$ value of exports exceeded the US$ value of production because piaster/dollar rate for the exports was lower than the 74 to 1 rate used in connecting the piaster value of production.

(3) Refined peanut oil is imported; crude peanut oil is produced for export. The export figure is probably a better indication of production than are the production figures themselves because the latter do not include output of some of the small mills, but exports from those mills are registered in customs export data.

(4) Production of cotton, rayon, and silk fabrics appears to be grossly understated in Tables I (a) and I (b) because the figures do not include the substantial quantities produced by small mills. The Directorate of Mining, Industry and Handicrafts (MIH) computed estimates of production for CY 1962 based on direct reports from large mills plus application of yarn-fabric conversion factors to the known quantities of yarn which were not consumed by the large mills and by presumption were utilized by the small mills. This procedure yielded the following comparison of production for CY 1962:

Commodity	Unit	MIH Quantity	Table I (b) Quantity
Cotton fabrics	1,000 meters	64,600	28,590
Rayon »	»	46,220	7,281
Silk »	»	600	391

(5) Neither the grand total nor the commodity group sub-totals should be construed as evidence of their respective total production data because they do not include the output of small plants. Their purpose is to indicate output of plants of significant size.

Table I (b)

MANUFACTURING PRODUCTION IN RELATION TO CONSUMPTION, CY 1962

Commodity	Quantity Produced		Quantity Imported in M. Tons
	Unit	Amount	
FOODSTUFF			
Fish sauce (nuoc mam)	Hectoliters	380,000	—
Soy sauce	»	6,020	—
Pork, canned	Can	84,699	3.9
Fish, canned	»	91,989	—
Duck egg powder	M. Tons	254	—
Seasoning powder	»	25	—
Cake and candy	»	308	4.6
Brown sugar	»	34,262	35,735.5
Refined sugar	»	64,109	8,196.5
Sugar cane juice	»	9,311	—
SUB-TOTAL(5)			43,940.5
BEVERAGES			
Syrup	Hectoliters	1,641	—
Rice alcohol	»	76,127	—
Rhum and european alcohol	»	18,496	831.8
Chinese alcohol	»	391	—
Beer	»	598,404	—
Carbonated drinks	»	380,763	—
Mineral water	»	7,291	—
Ice	M. Tons	120,803	—
SUB-TOTAL(5)			831.8
TOBACCO			
Tobacco & tobacco manufactures	M. Tons	5,059	14.2

Table I (b) Continued

MANUFACTURING PRODUCTION IN RELATION TO CONSUMPTION, CY 1962

Commodity	Quantity Produced		Quantity Imported in M. Tons
	Unit	Amount	
TEXTILES			
Cotton yarn	M. Tons	4,700	4,435.7
Thread	1,000 Boxes	342	1.3
Jute string	M. Tons	987	—
Cotton fabrics	1,000 Meters	28,590(4)	3,642.8
Rayon fabrics	»	7,281(4)	14.2
Silk fabrics	»	391(4)	285.1
Jute fabrics	M. Tons	44	11.1
Jute bags	1,000 Bags	3,014	418.5
Blankets	1,000 Blankets	131	764.3
Elastic braids	M. Tons	4	—
Elastic braids	1,000 Meters	2,675	1.0
Towels	Dozens	43,133	—
Nylon socks	»	64,313	0.4
Under-clothing	»	84,301	23.2
Woolen clothes	1,000 Units	438	—
Fish net	1,000 Nets	38	35.8
SUB-TOTAL(5)			9,633.4

Table I (b) Continued

MANUFACTURING PRODUCTION IN RELATION TO CONSUMPTION, CY 1962

Commodity	Quantity Produced		Quantity Imported in M. Tons
	Unit	Amount	
CHEMICAL PRODUCTS			
Oxygen (	Cubic Meters	678,650	—
Acetylen (			
Carbonic acid	M. Tons	59	35.8
Carbonic gas	»	505	—
Fertilizer	»	4,315	114,374.6
Soaps	»	4,680	28.1
Paint	»	1,953	52.9
Tooth paste	»	328	—
Perfume	Hectoliters	305	40.6
Brilliantine for hair	Dozens	698	—
Brilliantine for hair	M. Tons	33	—
Matches	Caisses	3,228	0.05
Printed ink	M. Tons	56	230.3
Insecticides	»	113	595.4
Insecticides	Liters	161,738	—
SUB-TOTAL(5)			115.357.7
VEGETABLE OIL			
Peanut oil (refined)	M. Tons	—	278.8
Peanut oil (crude)	»	205	278.8
Coconut oil	»	2,246	—
Cotton seed and rubber oil	»	1,107	74.4
SUB-TOTAL(5)			353.2
PORCELAIN ARTICLES			
Miscellaneous Porcelain articles	M. Tons	1,298	—
» » »	1,000 Units	1,004	—
SUB-TOTAL(5)			—

Table I (b) Continued

MANUFACTURING PRODUCTION IN RELATION TO CONSUMPTION, CY 1962

Commodity	Quantity Produced		Quantity Imported in M. Tons
	Unit	Amount	
TILES	Square Meters	138,399	—
GLASS ARTICLES			
Glass	M. Tons	8,348	4,639.2
Bottles	»	824	262.2
Thermos for water	1,000 Units	161	—
Ampoules (serum)	»	78,880	46.5
Misc. glass articles	»	634	—
SUB-TOTAL(5)			4,947.9
CLOTHING & FOOTWEAR			
Ready-made clothes	1,000 Units	247	28.0
Raincoats	»	188	—
Hats	Dozens	2,804	25.0
Shoes, leather	1,000 Pairs	98	—
Shoes, rubber or linen	»	—	—
SUB-TOTAL(5)			53.0
WOOD & WOOD MANUFACTURED			
Timber	Cubic Meters	16,228	—
Plywood	Square Meters	95,392	3,412.9
SUB-TOTAL(5)			3,412.9
PAPER & PAPER MANUFACTURED			
Paper and cardboard	M. Tons	6,189	27,819.4
Cardboard boxes	1,000 Units	6,873	—
Exercise book	»	—	—
SUB-TOTAL			27,819.4

Table I (b) Continued

MANUFACTURING PRODUCTION IN RELATION TO CONSUMPTION, CY 1962

Commodity	Quantity Produced		Quantity Imported in M. Tons
	Unit	Amount	
LEATHER			
Dressed skin	M. Tons	22	—
» »	Pieces	274,135	—
SUB-TOTAL			—
RUBBER PRODUCTS			
Tires, bicycle	1,000 Units	294	1,222.2
Tubes, bicycle	»	—	—
Tire retreading	»	22	—
Balls	»	916	—
Mattresses	»	13	—
Carpet	Square Meters	1,115	—
Piping, tubing	1,000 Meters	12	—
Gloves	Pairs	2,640	—
Ice bags	Units	145	—
Misc. rubber articles	»	—	—
SUB-TOTAL			1,222.2
ALUMINUM PRODUCTS			
Miscellaneous aluminum products	M. Tons	1,068	3,295.5

Table I (b) Continued

MANUFACTURING PRODUCTION IN RELATION TO CONSUMPTION, CY 1962

Commodity	Quantity Produced		Quantity Imported in M. Tons
	Unit	Amount	
METAL MANUFACTURES			
Barbed wire	M. Tons	2,763	2,201.0
Nails	»	2,716	122.2
Bottle caps	1,000 Caps	251,570	40.2
Iron grill	Square Meters	6,734	—
Saws	Dozens	2,060	—
»	1,000 Meters	56	33.1
Zip-fasteners	1,000 Dozens	178	—
Parts of sewing machines	1,000 Sets	50	—
Cleaners (aluminium)	M. Tons	106	—
Metal cans	1,000 Units	1,600	—
Lighters	»	60	—
Metal work	M. Tons	37	—
Foundry	»	—	—
SUB-TOTAL(5)			2,396.5
MACHINERY			
Sewing machine, assembling	Machines	15,361	246.6
ELECTRIC EQUIPMENT			
Drycell batteries	1,000 Units	3,809	24.9
Electric fans	Units	3,541	108.4
Electric wire	1,000 Meters	3,428	3,048.6
Flashlights	1,000 Units	116	0.2
Radio, assembling	Units	17,791	134.7
Electric bulbs	1,000 Units	1,068	74.8
SUB-TOTAL(5)			3,391.6

Table 1 (b) Continued

MANUFACTURING PRODUCTION IN RELATION TO CONSUMPTION, CY 1962

Commodity	Quantity Produced		Quantity Imported in M. Tons
	Unit	Amount	
TRANSPORT EQUIPMENT			
Scooter, assembling	Units	1,551	180.0
Motor-cycle, assembling	»	6,080	64.2
Parts of motor-cycles	»	—	—
Parts of bicycles	»	601,200	7.3
Triporteurs (3 wheels)	»	925	—
SUB-TOTAL(5)			251.5
WATCHES & CLOCKS			
Wrist watches	Units	10,434	0.1
Alarm clocks	»	68,900	0.1
Clocks, wall	»	5,700	—
Carillons	»	7,000	—
SUB-TOTAL(5)			0.2
PLASTIC ARTICLES			
Plastic string	Roll	20,227	150.9
» »	M. Tons	99	118.1
Plastic buttons	Grosses (144)	251,043	—
Miscellaneous plastic articles	1,000 Meters	3,326	—
» » »	1,000 Dozens	214	—
» » »	M. Tons	787	—
SUB-TOTAL(5)			269.0
MISCELLANEOUS PRODUCTS			
Pencils	1,000 Dozens	686	26.9
Ball point pens	»	346	—
Gas-mantles	1,000 Units	14	0.1
SUB-TOTAL(5)			27.0
GRAND TOTAL(5)			214,168.6

Table II

IMPORTS OF COMMODITIES NOT PRODUCED LOCALLY IN CY 1962

Commodity	Imports in US$ 1,000	Commodity	Imports in US$ 1,000
Milk, sweetened and condensed	11,195	Opotherapic products	180
Milk, whole dried	1,153	Vaccine	311
Non-fal milk	717	Pharmaceutical preparations	11,032
Butter	156	Pharmaceutical products	643
Cheese	152	Chinese medicines	173
Onion	130	Gum	118
Garlic	134	Explosives	186
Dry beans	442	Sensitive films	306
Rice, white	6,836	Sensitive papers	237
Wheat flour	8,028	Movie films	451
Finest wheat flour	311	Abrasive	119
Corn flour	814	Electrodes	291
Malt	832	Tubes for motor cars	111
Soy beans	102	Tires for motor cars & trucks	2,523
Hops	161	Newspapers	270
Ginseng roots	113	Books	780
Medicin. herbs and roots	665	Banknotes	494
Other medicinal fruits and seeds	158	Cement products	535
Margarine	129	Pig iron	233
Extract of malt	178	Iron wire	946
Yeast for medical uses	117	Iron bars	1,624
Talc	100	Steel bars	1,019
Cement	9,470	Structural shapes	1,049
Coal	510	Iron sheets	6,914
Petroleum products	17,585	Steel wire	1,907
Hydrochloric acid	282	Steel sheets	104
Caustic soda	241	Tubes and pipes	1,824
Titanium oxide	132	Copper wires and bars	229

Table II (Continued)

IMPORTS OF COMMODITIES NOT PRODUCED LOCALLY IN CY 1962

Commodity	Imports in US$ 1,000	Commodity	Imports in US$ 1,000
Sulphide	580	Brass wires and bars	329
Alums	196	Zinc sheets	196
Sodium carbonate	175	Tin	141
Other carbonates	208	Iron & steel finished products	2,166
Calcium carbide	528	Tubes and piper fittings	296
Aromatic carbides	203	Steel tanks	115
Acetic acid	306	High pressure bottles	108
Acyclic acid	106	Steel barrels	544
Sulfamide	336	Wire repos	109
Vitamin B1, B2, B6, B11	172	Driving chain	307
Other vitamins	120	Steel springs	245
Hormones	291	Steel bolts	465
Alkaloid	177	Screws	180
Organic compounds	1,228	Hand tools	324
Razors	123	Looms	1,465
Iron works	120	Knitting machines	156
Locks	203	Accessories of looms	401
Metal works	103	Parts of looms	559
Steam boilers	999	Textiles finishing machines	1,166
Steam engines	180	Machinery for making containers	181
Steam turbines	124	Metal working machinery	782
Internal combustion engines	3,263	Wood working machinery	136
Pumps	101	Electrical machine tools, portable	148
Motor pumps	537	Scales and balances	158
Moto-compressors	101	Typewriter	264
Parts of internal combustion engines	134	IBM machines	244

Table II (Continued)

IMPORTS OF COMMODITIES NOT PRODUCED LOCALLY IN CY 1962

Commodity	Imports in US$ 1,000	Commodity	Imports in US$ 1,000
Part of steam engines	196	Other business machines	385
Industrial heat exchange	149	Industrial machinery parts	1,630
Refrigerators	500	Generators and motors	2,455
Refrigerating equipment	901	Transforming apparatus	1,083
Other thermic apparatus	226	Batteries	206
Winches	139	Distribution and control apparatus	1,899
Running bridges	168	X-Rays apparatus	226
Elevators	217	Electrical equipment for vehicles	603
Excavating equipment	392	R.R. passenger cars	203
Crushing screening	466	R.R. freight cars	664
Presses	116	Motor cars (small size)	808
Machinery for cement industry	1,649	Motor cars (middle size)	568
Machinery for glass industry	180	Motor cars (big size)	379
Chilled casting for glass	165	Trucks	4,940
Vegetable protection apparatus	275	Tractors	1,105
Food products machinery	511	Special motor cars	552
Machinery for rubber industry	297	Bodies for passenger vehicles	957
Machinery for soap industry	321	Bodies for trucks	1,313
Machinery for chemical industry	264	Parts for motor cars	2,523
Machinery for paper industry	1,190	Boats	577
Machinery for printing shops	485	Tugs	204
Other machinery for textiles	747	Aircraft	600
Parts of textile machines	742	Measuring instruments	602
Spinning frames	813	Surgery instruments	688
Other spinning machines	1,185	Sound record equipment	411

Table III

NEW PLANTS AND EXPANSIONS WHICH BECAME OPERATIVE SINCE CY 1962

Company	Product	Additional Annual Capacity			
		Unit	Quantity	Estimated Value in VN$ 1,000	Estimated Value in US$ 1,000(1)
		New Plants			
INTRACO	Canned food	Can	1,800,000 to 2,400,000	NA	NA
MICHELIN (started Nov. 1962)	Bicycle tires	Tire	700,000	NA	NA
	Bicycle tubes	Tube	700,000		
THANH HOA Co.	Nylon, rayon, acetate	Meter	1,800,000	NA	NA
TAN SANH	Bicycle accessories	Piece	624,000	NA	NA
THIEN HUNG	Seasoning powder	Ton	500	82,400	
VN CHLORINE ALKALI	Caustic soda	Ton	1,182	NA	NA
	Hydrochloric acid	»	3,000	24,795	335
	Liquid chlorine	»	750	NA	
	Bleaching powder	»	3,000	26,100	353
	Liquid caustic soda	»	3,000	5,220	71
DAINAM Co.	Bicycle tires	Tire	720,000	NA	NA
	Bicycle tubes	Tubes	1,440,000	NA	NA
		Expansions			
VINATEXCO	Cotton yarn	Kg.	1,440,000	122,400	1,654
SICOVINA	Cotton yarn	Kg.	2,000,000	172,000	2,324
	Cotton fabrics	Meter	9,000,000	144,000	1,946
DACOTEX	Calico fabrics	Meter	4,980,000	95,450	1,290
SAKYMEN	Wool blankets	Blanket	300,000	66,600	900
VISYPASA	Nylon & teteron	Meter	1,380,000	78,660	1,063
TAN MAI	Plyweed	Sq. meter	1,000,000	NA	NA
	Veneer	»	500,000	NA	NA

Footnote: (1) Computed at VN$ 74 to US$ 1.

Table IV

NEW VENTURES AND EXPANSIONS APPROVED BUT NOT OPERATING AS OF DECEMBER 1963

Company	Product	Maximum Annual Capacity				Observation
		Unit	Quantity	Estimated Value in VN$ 1,000	Estimated Value in US$ 1,000(1)	
SOVIFEL	Welding rods	Rod	36,000,000	34,700	469	New Venture
KIEN PHONG	Wire netting	Sq. meter	1,800,000	36,000	486	» »
LIEN HUNG	Wire netting	Roll	21,600	NA		» »
	Wire fencing	Piece	38,400	NA		
	Iron hooks	Piece	24,000,000	NA		
COBOGIDO	Paper pulp	Ton	8,500	63,520	858	» »
DAINAMCO	Bicycle tires	Tire	160,000	11,600	157	Expansion
	Bicycle tubes	Tube	320,000	6,080	82	
Cie. Des HAUTS PLATEAUX INDO.	Coffee	Ton	800	14,500	196	»
VN TEXTILE IND.	Silk fabrics	Meter	864,000	42,340	572	»
KIM CHUNG	Table oil	Ton	600	24,000	324	»
HOANG ANH	Rayon, crepe, satin	Meter	384,000	9,620	130	»
HOANG KIM QUY	Galvanized wire	M.T.	5,000	60,658	820	»
FAGICO	Paper	M.T.	3,500	52,870	714	»
BINH DUONG Sugar Mill	White sugar	M.T.	15,500	263,500	3,561	»
TUY HOA Sugar Mill	Refined sugar	M.T.	12,000	204,000	2,757	»
FOREMOST Dairy	Condensed milk	Case	900,000	666,000	9,000	New Venture

Footnote: (1) Computed at VN$ 74 to US$ 1.

Table IV (Continued)

NEW VENTURES AND EXPANSIONS APPROVED BUT NOT OPERATING AS OF December 1963

Company	Product	Maximum Annual Capacity				Observation
		Unit	Quantity	Estimated Value in VN$ 1,000	Estimated Value in US$ 1,000(1)	
SHELL-ESSO Petroleum Refinery	Premium gasoline	Bbls. per day	223	NA	NA	New Venture
	Regular gasoline		3,904			
	L.P. Gasoline		100			
	Aviation fuel		2,644			
	Automotive diesel		2,671			
	Industrial diesel		2,690			
	Industrial fuel oil		10,503			
	Bunker fuel		550			
DOFITEX	Jute bags	Bag	3,000,000	NA	NA	New Venture
NAM VIET FIBRO-CEMENT	Asbestos cement sheets	M.T.	7,000	NA	NA	» »
DONG PHUONG MY-NGHE	Starch)	M.T.	2,100	NA	NA	» »
	Glucose)	M.T.	1,500	NA	NA	» »
VIET-PHAT RICE BRAN OIL	Rice bran oil	M.T.	1,550	NA	NA	» »
DUC LAP	Coconut fiber	M.T.	1.500	NA	NA	» »
NAM MY Co.	Caustic soda	M.T.	1,105	NA	NA	» »
HA TIEN	Cement	M.T.	250,000	370,000	5,000	» »
BINH DONG STEEL DRUM	Oil drums (55 gal.)	Drum	60,000	35,500	480	» »

Footnote: (1) Computed at VN$ 74 to US$ 1.

Table V

PROPOSALS SUBMITTED BUT NOT YET APPROVED

Product	Maximum Annual Capacity				Observation
	Unit	Quantity	Estimated Value in VN$ 1,000	Estimated Value in US$ 1,000(1)	
Coffee powder	Ton	3,000	360,000	4,865	New Venture
Cotton fabrics	Meter	4,980,000	95,460	1,290	» »
Welding rods	Ton	1,000	27,140	367	» »
Welding rods	Ton	1,200	26,100	353	» »
Ball point pencils	Pencil	10,000,000	39,600	535	» »
Screw bolts	Ton	1,200	24,000	324	» »
Paint	Ton	500	26,000	351	» »
Crepe satin	Meter	184,320	4,610	62	» »
Artificial fabrics	Kg.	1,933,207	151,944	2,053	» »
Lining fabrics for tires	»	174,596	19,216	260	
Machinery belting	»	183,069	14,617	198	
Plastic fabrics	Yard	3,850,000	89,100	1,204	Expansion
Matches	Match	1,624,111	NA		»
AN HOA Industrial Complex:					
Electric power (thermal)	Kw	35,000	NA		New Venture
Sulfuric acid	)				
Urea	)				
Ammonium sulfate	)	Quantities and values not known			
Coal gas extraction	)				
Air liquefaction	)				
Synthetic ammonia	)				
Wheat flour	M.T.	36,000	440,388	5,950	» »

Footnote: (1) Computed at VN$ 74 to US$ 1.

Table VI

RESIDUALS FOR IMPORTS OF US$ 1 MILLION OR MORE IN CY 1962

Commodity	Imports CY 1962 in US$ 1,000	New Capacity in Being or Contemplated				Residual(3)
		Unit	Quantity	Value in VN$ 1,000	Value in US$ 1,000(1)	Value in US$ 1,000(1)
Sugar	3,576	M.T.	27,500	467,500	6,317	None
Fertilizers	5,858		Indefinite			Indefinite
Insecticides	1,686		None			1,686
Bicycle tires & tubes	1,704	Tire	700,000	NA	NA	Indefinite
		Tube	700,000			
Paper	6,274	M.T.	3,500	52,870	713	2,887
Cotton yarn	15,406	Kg.	2,440,000	316,000		(2)
Cotton fabrics	6,514		Indefinite			Indefinite
Glass	1,334		None			1,334
Aluminum products	2,698		None			2,698
Electric wire	2,729		None			2,729
Radio receivers	1,104		None			1,104
Milk	13,065	Case	900,000	666,000	9,000	4,065
Wheat flour	8,339	M.T.	36,000	440,388	5,950	2,390
Cement	9,470		Indefinite			Indefinite
Petroleum products	17,585		Quantities not known			Indefinite
Organic compounds	1,228		None			1,228
Pharmaceutical preparations & products	11,675		Indefinite			Indefinite

Footnotes:

(1) Computed at VN$ 74 to US$ 1.
(2) Permissable capacity of 110,000 spindles has been reached.
(3) Residual equals imports minus new or contemplated capacity.

Table VI (continued)

RESIDUALS FOR IMPORTS OF US$ 1 MILLION OR MORE IN CY 1962

Commodity	Imports CY 1962 in US$ 1,000	New Capacity in Being or Contemplated				Residual(3)
		Unit	Quantity	Value in VN$ 1,000	Value in US$ 1,000(1)	Value in US$ 1,000(1)
Auto & truck tires	2,523		None			2,523
Iron & steel bars	2,643		None			2,643
Structural shapes	1,049		None			1,049
Iron sheets	6,914		None			6,914
Steel wire	1,907		None			1,907
Iron pipes & tubes	1,824		None			1,824
Iron & steel finished products	2,166		Indefinite			Indefinite
Internal combination engines	3,263		None			3,263
Industrial machinery & parts	13,505		None			13,505
Generators & meters	2,455		None			2,455
Transformer apparatus	1,083		None			1,083
Elect. distribution & control apparatus	1,899		None			1,899
Automobiles (passenger)	1,755		None			1,755
Trucks	4,940		None			4,940
Tractors	1,105		None			1,105
Truck bodies	1,313		None			1,315
Automobile parts	2,523		None			2,523

Footnotes:

(1) Computed at VN$ 74 to US$ 1.
(2) Permissable capacity of 110,000 spindles has been reached.
(3) Residual equals imports minus new or contemplated capacity.

Table VII

RESIDUALS FOR IMPORTS OF US$ 500,000 TO US$ 1 MILLION IN CY 1962

Commodity	Imports CY 1962 in US$ 1,000	New Capacity in Being or Contemplated				Residual[3]
		Unit	Quantity	Value in VN$ 1,000	Value in US$ 1,000[1]	Value in US$ 1,000[1]
Rayon fabrics	904		Quantity Indefinite			Indefinite
Blankets	951	Blanket	300,000	66,600	900	51
Sewing machines	618		None			618
Corn flour	814		None			814
Malt	832		None			832
Medicinal herbs & roots	665		None			665
Sulphide	580		None			580
Calcius carbide	528		None			528
Books	780		Indefinite			Indefinite
Cement products	535		None			535
Iron wire	946		None[1]			946[2]
Steel barrels	544	Barrel	60,000	35,500	480	64
Steam boilers	999		None			999
Motor pumps	537		None			537
Refrigerators	500		None			500
Refrigerating equipment	901		None			901
Refrigerating equipment for vehicles	603		None			603
R.R. freight cars	664		None			664
Special motor cars	552		None			552
Passenger vehicle bodies	957		None			957
Boats	577		None			577
Aircraft	600		None			600
Measuring instruments	602		None			602
Surgical instruments	688		None			688

Footnotes: (1) Computed at VN$ 74 to US$ 1.

(2) Although Hoang-Kim-Quy has received approval for a plant with capacity to produce 5,000 M.T. of galvanized wire, it is our understanding that the iron wire to be galvanized will be imported.

(3) Residual equals imports minus new or contemplated capacity.

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